



ESSENTIALS OF PERSONAL FINANCIAL PLANNING

TEST BANK

NOTE TO INSTRUCTORS:

The questions provided in this test bank can be used for exams, homework assignments, or classroom discussion. Correct answers are highlighted in bold.

Chapter 1

1. Which of the following is not a personal financial planning service?
 - A. Charitable planning.
 - B. Elder planning.
 - C. Retirement planning.
 - D. **Income tax preparation.**
2. All of the following are types of Additional Engagements except:
 - A. **Discovery engagement.**
 - B. Implementation engagement.
 - C. Monitoring engagement.
 - D. Updating engagement.
3. The construction of a dream home is an example of:
 - A. Cash flow category.
 - B. IRC Section 121.
 - C. **Life planning goal.**
 - D. Personal financial planning.
4. An implementation engagement should include all of the following except:
 - A. Description of limitations on the work performed.
 - B. **Frequency and time period of measuring the client's progress toward reaching the stated goals.**
 - C. Summary of recommended actions to be taken.
 - D. Summary of the planning decisions being implemented.
5. Which of the following is not required for the disclosure of compensation?
 - A. Amount of compensation.
 - B. **Method of compensation, except for the impact of indirect compensation.**
 - C. Noncash benefits, received by the member for referrals to other providers
 - D. Time period of which compensation will be received.
6. How many steps are required in the PFP process?
 - A. Two.
 - B. **Four.**
 - C. Seven.
 - D. Eleven.
7. In a personal financial planning engagement, a conflict of interest:
 - A. **Creates a need for client consent.**

- B. Prohibits any objectivity.
- C. Results in termination of the engagement.
- D. Should not be disclosed to protect confidentiality.

8. A personal financial planning client expressing an attitude or a desire is an example of:

- A. Heuristics.
- B. Qualitative data.**
- C. Quantitative Data.
- D. Socratic Questioning.

Chapter 2

1. The historical timeline for personal financial planning in the United States began in
 - A. 1940.
 - B. 1969.**
 - C. 1981.
 - D. 2014.

2. Which of the following was used as a 'de facto' standard for CPAs by state boards of accountancy?
 - A. AICPA Code of Professional Conduct.
 - B. Investment Advisers Act of 1940.
 - C. Statement on Responsibilities in Personal Financial Planning Practice.**
 - D. Statement on Standards in Personal Financial Planning Services No. 1.

3. Practice standards accomplish which of the following:
 - I. Outline consumer expectations of practitioners
 - II. Outline practitioner expectations of consumers
 - III. Protect consumers
 - IV. Protect practitioners
 - A. I, IV.
 - B. III, IV.
 - C. I, III.**
 - D. II, IV.

4. Which of the following is not a PFP engagement?
 - A. Coordinating Engagement.**
 - B. Implementation Engagement.
 - C. Monitoring Engagement.
 - D. Updating Engagement.

5. The CPA/PFS should document their understanding of the implementation engagement, including the roles and responsibilities of the CPA/PFS, the client, and other service providers. Documentation should include all of the following except:
 - A. Client's evaluation of progress toward achieving the client's financial planning goals, including whether the client's existing financial plan and specific financial recommendations should be updated.**
 - B. Criteria that are important to the achievement of the financial planning goals being monitored.
 - C. Frequency and time period of measuring the clients progress toward reaching the stated goals.
 - D. Utilization of monitoring criteria that are appropriate to, and consistent with, the criteria used to establish the goals being monitored.

6. Which of the following scenarios is false regarding the applicability of the SSPFPS No. 1:

- A. **Only when a member represents to clients that the member provides PFP services.**
- B. When a member engages in activities that require registration as an investment adviser under federal or state law.
- C. When a member includes the CPA/PFS designation on their website.
- D. When a member sells a product as a result of an engagement.

7. Applicability of the SSPFPS No. 1 is a _____ part test.

- A. **Two.**
- B. Three.
- C. Four.
- D. Seven.

8. The SSPFPS No. 1 provides _____ guidance and establishes _____ standards for members.

- A. Authoritative / service.
- B. Reasoned / service.
- C. **Authoritative / enforceable.**
- D. Reasoned / enforceable.