

ARIZONA STATE UNIVERSITY (ASU) FIN380 PERSONAL FINANCIAL MANAGEMENT TEST 3 PRACTICE (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

<https://asu-fin380test3.examzify.com>



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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. What type of option gives the holder the right to purchase shares?**
 - A. Call option
 - B. Put option
 - C. Future option
 - D. Margin option
- 2. What is the primary goal of the Equal Credit Opportunities Act?**
 - A. To provide free credit reports
 - B. To prohibit discrimination in lending
 - C. To promote responsible credit use
 - D. To restructure debt repayment
- 3. What type of insurance pays off your credit balance if you become ill or die?**
 - A. Credit life insurance
 - B. Credit accident insurance
 - C. Liability insurance
 - D. Debt cancellation insurance
- 4. Which type of mutual fund is most common?**
 - A. Hedge fund
 - B. Closed-end mutual fund
 - C. Open-end mutual fund
 - D. Exchange-traded fund
- 5. Class C shares are known for which type of fee structure?**
 - A. No fees
 - B. High front end costs
 - C. Level load
 - D. High back end costs

- 6. Which type of mortgage loan offers a consistent interest rate throughout the loan term?**
- A. Fixed Rate Loan
 - B. Adjustable Rate Mortgage (ARM)
 - C. Interest Only Loan
 - D. Secured Loan
- 7. How soon do creditors need to resolve mistakes in a credit report under the Fair Credit Reporting Act?**
- A. 30 days
 - B. 60 days
 - C. 90 days
 - D. 180 days
- 8. Which term refers to the insurance that may be required in addition to regular mortgage payments for conventional loans?**
- A. Homeowner's insurance
 - B. PMI (private mortgage insurance)
 - C. VA insurance
 - D. FHA insurance
- 9. Which of the following is NOT a component of closing costs?**
- A. Home inspection
 - B. Home warranty
 - C. Monthly mortgage payment
 - D. Prorated charges for property taxes
- 10. What is one principle of indemnity in insurance?**
- A. The insured can claim unlimited amounts for losses
 - B. The insured cannot be compensated for more than the actual loss
 - C. The insured must pay a deductible before claims
 - D. The insured should increase their coverage annually

Answers

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1. A
2. B
3. A
4. C
5. C
6. A
7. A
8. B
9. C
10. B

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Explanations

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1. What type of option gives the holder the right to purchase shares?

- A. Call option**
- B. Put option
- C. Future option
- D. Margin option

A call option is indeed the correct choice because it provides the holder with the right — but not the obligation — to purchase shares of a stock at a predetermined price, known as the strike price, before the option's expiration date. This type of option is typically used by investors who anticipate that the price of the underlying stock will rise. If the stock's price increases above the strike price, the holder can exercise the option to buy shares at the lower strike price, potentially realizing a profit. In contrast, a put option gives the holder the right to sell shares, making it unsuitable for someone looking to purchase stock. A future option is not a standard term typically associated with equity options; it may refer to futures contracts which are related but differ from options in that they obligate buyers to purchase and sellers to sell at an agreed price. A margin option does not exist as a specific type of option; margin refers to using borrowed funds to trade, not to a particular kind of financial option. Understanding the fundamental differences between call options and other financial instruments is crucial for personal financial management and investment strategies.

2. What is the primary goal of the Equal Credit Opportunities Act?

- A. To provide free credit reports
- B. To prohibit discrimination in lending**
- C. To promote responsible credit use
- D. To restructure debt repayment

The primary goal of the Equal Credit Opportunities Act (ECOA) is to prohibit discrimination in lending practices. This legislation was enacted to ensure that all consumers have equal access to credit regardless of race, color, religion, national origin, sex, marital status, or age. By establishing this framework, the ECOA seeks to level the playing field in financial transactions, allowing individuals to receive credit based on creditworthiness rather than discriminatory factors. The act plays a crucial role in promoting fair lending practices and safeguarding the rights of consumers. It allows individuals to challenge lending discrimination and ensures that lenders must evaluate loans based on objective criteria, fostering an environment of equality in credit access. Understanding this foundation is key for financial management, as it highlights the importance of fairness in financial services and the broader economic implications of equitable lending.

3. What type of insurance pays off your credit balance if you become ill or die?

- A. Credit life insurance**
- B. Credit accident insurance
- C. Liability insurance
- D. Debt cancellation insurance

The type of insurance that pays off your credit balance if you become ill or die is credit life insurance. This form of insurance is specifically designed to cover the outstanding balance on a borrower's credit accounts in the event of the insured's death, ensuring that their family or estate is not left to deal with financial burdens resulting from unpaid debts. If the borrower becomes ill and is unable to work, some policies may also provide benefits to cover payments, but the primary coverage focuses on life events. Credit accident insurance, in contrast, typically provides benefits in the event of an accident that prevents you from making payments, rather than dealing with health conditions or death. Liability insurance is not relevant in this context as it generally protects against claims resulting from injuries and damages to other people or property, rather than ensuring debt payments. Debt cancellation insurance can cover monthly payments under certain conditions, but it does not specifically address the pay-off of a credit balance due to death or specific illnesses as clearly as credit life insurance does. Thus, credit life insurance is the most fitting option as it directly addresses the concern of outstanding debts after the death of the insured or inability to work due to serious illness.

4. Which type of mutual fund is most common?

- A. Hedge fund
- B. Closed-end mutual fund
- C. Open-end mutual fund**
- D. Exchange-traded fund

Open-end mutual funds are the most common type of mutual fund primarily because they offer a level of liquidity and ease of access that appeals to a wide range of investors. These funds continuously issue shares to new investors and redeem shares from current investors at the net asset value (NAV) at the end of each trading day. This means that when investors want to buy or sell, they can do so directly with the mutual fund company. This structure also means that open-end funds don't trade on an exchange like closed-end funds or exchange-traded funds do. Instead, they are bought and sold based on the calculated NAV, making them more accessible for the average investor who may prefer straightforward transactions without the complexities of market fluctuations throughout the day. In comparison, hedge funds are typically more exclusive, requiring a high minimum investment and catering to accredited investors, which limits their commonality. Closed-end mutual funds have fixed shares that trade on an exchange, which can lead to the shares trading at a premium or discount to the NAV, making them less appealing for those looking for straightforward investing options. Exchange-traded funds, while popular, are still relatively new compared to traditional open-end mutual funds, which have been a staple in personal finance for decades. Thus, the open-end mutual

5. Class C shares are known for which type of fee structure?

- A. No fees
- B. High front end costs
- C. Level load**
- D. High back end costs

Class C shares are characterized by a level load fee structure. This means they typically charge a consistent management fee that is assessed annually, allowing investors to avoid hefty upfront fees that some other classes of shares might impose. Instead of facing a high front-end load (a fee when shares are purchased) or a high back-end load (a fee when shares are sold), investors in Class C shares pay a lower expense ratio and may experience ongoing fees that are assessed each year, which can make them attractive for those planning to hold the investment for a longer duration. This structure often appeals to investors who may want more flexibility in terms of buying and selling without incurring significant penalties or costs.

6. Which type of mortgage loan offers a consistent interest rate throughout the loan term?

- A. Fixed Rate Loan**
- B. Adjustable Rate Mortgage (ARM)
- C. Interest Only Loan
- D. Secured Loan

A fixed rate loan provides a consistent interest rate throughout the entire term of the loan, which means that the monthly principal and interest payments remain stable and predictable. This stability makes it easier for borrowers to budget their finances, as they know exactly what their payments will be for the duration of the loan. In contrast, an adjustable rate mortgage (ARM) has an interest rate that can change periodically based on market conditions, leading to fluctuating monthly payments. An interest-only loan allows borrowers to pay only the interest for a certain period, after which they would need to start repaying the principal, resulting in varying payment amounts over time. A secured loan is backed by collateral and can be either fixed or adjustable in nature, depending on the specific terms of the loan, but it does not inherently guarantee a consistent interest rate like a fixed rate loan does.

7. How soon do creditors need to resolve mistakes in a credit report under the Fair Credit Reporting Act?

- A. 30 days**
- B. 60 days
- C. 90 days
- D. 180 days

Creditors are required to resolve mistakes in a credit report within a specific time frame as mandated by the Fair Credit Reporting Act (FCRA). When a consumer disputes information on their credit report, creditors must investigate the validity of the claim. This investigation period is set at 30 days. If the creditor cannot verify the disputed information within this timeframe, they must correct or remove the inaccuracies from the credit report. This process ensures that consumers have their right to accurate credit reporting upheld and fosters accountability among creditors and credit reporting agencies. The other timeframes mentioned simply do not align with the obligations set forth in the FCRA, where the focus is specifically on the 30-day window for resolving disputes to protect consumer interests effectively.

8. Which term refers to the insurance that may be required in addition to regular mortgage payments for conventional loans?

- A. Homeowner's insurance
- B. PMI (private mortgage insurance)**
- C. VA insurance
- D. FHA insurance

The correct term referring to the insurance that may be required in addition to regular mortgage payments for conventional loans is private mortgage insurance (PMI). PMI is typically required by lenders when a borrower makes a down payment that is less than 20% of the home's purchase price. The purpose of PMI is to protect the lender in case the borrower defaults on the loan. By obtaining PMI, the lender mitigates their risk, which allows them to provide loans to borrowers who may not have a substantial down payment saved up. Homeowner's insurance is essential for protecting the homeowner's property and belongings but is not specifically related to mortgage requirements. VA insurance pertains to loans backed by the Department of Veterans Affairs, which serves a different group of borrowers and involves its own insurance guarantees. FHA insurance relates to loans insured by the Federal Housing Administration, typically aimed at helping lower-income borrowers. While these insurances play vital roles in their respective contexts, they do not specifically address the need for insurance in conventional loans where PMI is mandated when borrowers have lower down payments.

9. Which of the following is NOT a component of closing costs?

- A. Home inspection
- B. Home warranty
- C. Monthly mortgage payment**
- D. Prorated charges for property taxes

Closing costs refer to the expenses incurred during the finalization of a real estate transaction, typically paid at the closing of the sale. These costs include various fees associated with securing a mortgage and transferring property ownership. A monthly mortgage payment, while a significant aspect of homeownership expenses, is not a component of closing costs. Once the transaction is completed, the mortgage payments become the ongoing financial obligation the homeowner must meet, rather than one-time costs that arise during the closing of the sale. In contrast, home inspection and home warranty are both typically considered closing costs, as they are expenses that buyers often incur before finalizing the purchase. Similarly, prorated charges for property taxes are included in closing costs, as they account for the property taxes applicable during the period of ownership transfer. These costs are necessary for the buyer to account for any pending fees associated with the property prior to officially taking ownership.

10. What is one principle of indemnity in insurance?

- A. The insured can claim unlimited amounts for losses
- B. The insured cannot be compensated for more than the actual loss**
- C. The insured must pay a deductible before claims
- D. The insured should increase their coverage annually

The principle of indemnity in insurance fundamentally states that the insured is entitled to be compensated only for their actual loss and cannot profit from an insurance claim. This ensures that insurance serves as a mechanism to restore the insured to their pre-loss financial condition rather than providing a windfall or an incentive for fraudulent claims. This principle is crucial to maintaining the integrity of the insurance system, as it prevents policyholders from over-insuring or taking undue advantage of their coverage. In practice, this means if a person suffers a loss due to a covered event, they can only claim the amount that corresponds to the value of that loss, ensuring that they do not receive more than what they have lost. Understanding this concept is important for both consumers and providers of insurance, as it emphasizes fair and equitable dealings in the realm of insurance policies and claims.

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Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://asu-fin380test3.examzify.com>

We wish you the very best on your exam journey. You've got this!

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