# BPA CONTEST 145 BANKING AND FINANCE PRACTICE TEST (SAMPLE)

## STUDY GUIDE


## SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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# Table of Contents

# 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

**1. What does EFT stand for in banking terms?**

A. Electronic Funds Transfer

B. Electronic Financial Transaction

C. Electronic Funds Treatment

D. Electronic Financial Transfer

**2. What does 'equity' typically refer to in finance?**

A. Debt obligations of a company

B. Ownership in an asset, particularly in stocks

C. The total market value of a firm's assets

D. Cash reserves held by an individual

**3. What does the Fair Credit Reporting Act require from credit bureaus?**

A. To provide free credit scores.

B. To offer credit monitoring services.

C. To remove errors on your credit report within 30 days.

D. To allow disputes for a duration of six months.

**4. What happens if a borrower fails to repay a loan secured by collateral?**

A. The bank can adjust the interest rate

B. The bank will seize the collateral asset

C. The borrower is automatically granted a new loan

D. The collateral is returned immediately

**5. What does 'yield' represent in finance?**

A. The total return on an asset

B. The income generated from an investment

C. The market price of stocks

D. The amount of dividend paid to shareholders

**6. What is the primary function of the primary capital market?**

A. It is where stockholders buy and sell shares on a stock exchange

B. It is where new securities are issued to investors

C. It is a market for trading international currencies

D. It is a platform for corporate mergers and acquisitions

**7. What is a credit report?**

A. A credit card statement summarizing expenses

B. A summary of a consumer's credit history

C. A report on current financial market trends

D. A detailed account of a consumer's bank balances

**8. When opening a checking account, you need to have each of these items except:**

A. Proof of identity.

B. Initial deposit.

C. Proof of employment.

D. Social Security number.

**9. What type of debts do mortgages, auto loans, and student loans represent?**

A. Unsecured debt

B. Secured debt

C. Revolving credit

D. Installment credit

**10. What does the FDIC stand for?**

A. Federal Deposit Insurance Corporation

B. Financial Development Insurance Corporation

C. Financial Deposit Insurance Company

D. Federal Deposit Insurance Company

# Answers

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

# Explanations

## 1. What does EFT stand for in banking terms?

A. Electronic Funds Transfer

B. Electronic Financial Transaction

C. Electronic Funds Treatment

D. Electronic Financial Transfer

*EFT stands for Electronic Funds Transfer, which is the correct term used to describe the digital transfer of money from one bank account to another, often facilitated by electronic means such as ATMs, online banking, and mobile payment systems. This process is crucial in modern banking as it allows for quick, efficient, and secure transactions without the need for physical checks or cash, enhancing the speed of financial operations and improving record-keeping. Other options offered variations on the term but do not accurately reflect the commonly accepted definition used in banking. "Electronic Financial Transaction" and "Electronic Funds Treatment" do not represent the standard nomenclature used for the process of transferring funds electronically, which is specifically defined as "Electronic Funds Transfer." The phrase "Electronic Financial Transfer" also misses the essential component of "Funds," making it an inaccurate representation of the term. Understanding the precise wording is important in the finance industry for clear communication and compliance with regulations surrounding electronic transactions.*

## 2. What does 'equity' typically refer to in finance?

A. Debt obligations of a company

B. Ownership in an asset, particularly in stocks

C. The total market value of a firm's assets

D. Cash reserves held by an individual

*In finance, 'equity' typically refers to ownership in an asset, with a particular emphasis on stocks. When investors purchase stocks, they are essentially buying a share of ownership in a company, which means they have a claim on a portion of the company's assets and profits. Equity can also represent ownership in real estate, where an individual has rights to the property after settling any debts associated with it. This definition is crucial in understanding various financial concepts, such as the valuation of companies, shareholder rights, and how companies raise capital. Equity financing is one of the primary ways companies obtain capital, allowing them to expand operations or invest in new projects without incurring debt. Furthermore, the value of equity can fluctuate based on market conditions, company performance, and investor sentiment. The other options describe different financial elements that do not relate to equity in the same context. For instance, debt obligations are liabilities rather than ownership, the total market value of a firm's assets reflects overall value without distinguishing ownership claims, and cash reserves are liquid assets rather than ownership stakes. Therefore, option B accurately captures the essence of what equity represents in the financial realm.*

### 3. What does the Fair Credit Reporting Act require from credit bureaus?

A. To provide free credit scores.

B. To offer credit monitoring services.

C. To remove errors on your credit report within 30 days.

D. To allow disputes for a duration of six months.

*The Fair Credit Reporting Act (FCRA) requires credit reporting agencies to take certain actions to ensure that the information they provide is accurate and fair. One of the key provisions of the FCRA is the requirement that if a consumer identifies errors on their credit report, the credit bureau must investigate those errors and resolve them within a specific timeframe—generally 30 days. This is a critical consumer protection measure designed to maintain the integrity of credit reporting, as inaccurate information can have significant consequences for individuals trying to secure loans or credit. This obligation reinforces the importance of accuracy and fairness in credit reporting, providing consumers with the ability to correct any misinformation that could negatively impact their creditworthiness. Other options, such as providing free credit scores, offering credit monitoring services, or allowing disputes for a duration of six months, do not accurately reflect the specific legal requirements set forth by the FCRA.*

### 4. What happens if a borrower fails to repay a loan secured by collateral?

A. The bank can adjust the interest rate

B. The bank will seize the collateral asset

C. The borrower is automatically granted a new loan

D. The collateral is returned immediately

*When a borrower fails to repay a loan that is secured by collateral, the lender has the legal right to seize the collateral asset. This is known as foreclosure, where the lender repossesses the asset that was pledged as security for the loan. The collateral acts as a guarantee for the bank, ensuring that they have a means to recover losses if the borrower defaults. For instance, if someone takes out a loan to purchase a car and the car serves as collateral, if the borrower fails to make the necessary payments, the lender can take back the car to mitigate their financial risk. This mechanism protects lenders by providing a way to recoup funds, as the value of the collateral helps to reduce potential losses incurred from the non-payment of the loan. In contrast, adjusting the interest rate, automatically granting a new loan, or immediately returning the collateral do not occur as a consequence of defaulting on the loan. These options do not align with standard lending practices where repayment and the rights to collateral are foundational elements of the lending agreement.*

### 5. What does 'yield' represent in finance?

A. The total return on an asset

B. The income generated from an investment

C. The market price of stocks

D. The amount of dividend paid to shareholders

*In finance, 'yield' specifically refers to the income generated from an investment, typically expressed as a percentage of the investment's cost or current market value. This income can come from various sources, including interest payments from bonds, rental income from real estate, or dividends from stocks, making it a crucial metric for investors seeking to assess the profitability of their holdings. When investors analyze yield, they often look at different types, such as dividend yield for stocks or current yield for bonds, to evaluate the potential income relative to the price they pay for the investment. Yield helps investors compare the effectiveness of different investment vehicles in generating income, and it can influence their investment decisions based on their financial goals and risk tolerance. Understanding yield is essential for making informed investment choices, as it gives a clearer indication of the cash flow one can expect from an investment compared to just looking at appreciation potential or market price fluctuations.*

### 6. What is the primary function of the primary capital market?

A. It is where stockholders buy and sell shares on a stock exchange

B. It is where new securities are issued to investors

C. It is a market for trading international currencies

D. It is a platform for corporate mergers and acquisitions

*The primary function of the primary capital market is centered around the issuance of new securities. In this market, companies, governments, or other entities sell new stocks or bonds directly to investors. This process is crucial because it is how organizations raise capital to fund their operations, launch new projects, or expand existing services. Investors in the primary market receive the securities directly from the issuer, typically through mechanisms such as initial public offerings (IPOs) for stocks or bond offerings. The primary market is distinct from other financial markets primarily in its focus on new securities rather than the trading of existing ones. In contrast, in other markets like the secondary market, existing shares are traded among investors without any involvement from the issuer. This understanding is vital for anyone studying banking and finance, as the primary market lays the foundation for investment and capital structure for companies and institutions.*

### 7. What is a credit report?

A. A credit card statement summarizing expenses

B. A summary of a consumer's credit history

C. A report on current financial market trends

D. A detailed account of a consumer's bank balances

*A credit report is indeed a summary of a consumer's credit history, which includes information about credit accounts, payment history, outstanding debts, and public records related to credit. This document is critical for lenders and financial institutions when assessing an individual's creditworthiness. The credit report serves multiple purposes: it helps lenders make informed decisions about whether to extend credit to an individual, influences the interest rates offered, and can impact decisions on renting an apartment or applying for insurance. The detail within a credit report can include the types of credit accounts held (like credit cards, mortgages, and auto loans), the status of these accounts (whether they are current or past due), and any recent inquiries made by creditors into the individual's credit history. Understanding this distinction is essential in personal finance; it highlights the importance of maintaining a good credit history, as it plays a significant role in an individual's financial health and future opportunities.*



### 8. When opening a checking account, you need to have each of these items except:

A. Proof of identity.

B. Initial deposit.

C. Proof of employment.

D. Social Security number.

*When opening a checking account, financial institutions typically require proof of identity, an initial deposit, and a Social Security number. Proof of identity is essential to verify that the person opening the account is who they claim to be. This could include a government-issued photo ID such as a driver's license or passport. The initial deposit is often required as part of the account opening process, reflecting the bank's policy to ensure that the account is funded right from the start. The Social Security number serves important purposes, such as tax reporting and identity verification. Proof of employment, on the other hand, is not a standard requirement when opening a checking account. While some banks may ask for proof of employment for specific financial products or loans, it is generally unnecessary for simply establishing a checking account. This allows individuals who may be unemployed, students, or otherwise not currently employed to still have access to banking services.*

## 9. What type of debts do mortgages, auto loans, and student loans represent?

A. Unsecured debt

B. Secured debt

C. Revolving credit

D. Installment credit

*Mortgages, auto loans, and student loans are classified as secured debt because they are backed by collateral. In the case of a mortgage, the property serves as collateral; for an auto loan, the vehicle is the collateral; and student loans may sometimes be backed by the future earning potential of the borrower or through specific agreements with educational institutions. This means that if the borrower defaults on these loans, the lender has the legal right to reclaim or seize the collateral to recover their losses. While some debts, such as credit card balances, represent unsecured debt because they are not backed by any specific asset, secured debt provides lenders with a layer of protection. The predictability of repayment through secured agreements often allows borrowers to access lower interest rates. Moreover, installment credit is related to making fixed monthly payments over time, but the key detail here is that mortgages, auto loans, and student loans explicitly involve collateral, distinguishing them as secured debts.*

## 10. What does the FDIC stand for?

A. Federal Deposit Insurance Corporation

B. Financial Development Insurance Corporation

C. Financial Deposit Insurance Company

D. Federal Deposit Insurance Company

*The correct answer is that the FDIC stands for the Federal Deposit Insurance Corporation. This U.S. government agency was created in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s. The FDIC provides deposit insurance to depositors in U.S. commercial banks and savings institutions, protecting them in the event of a bank failure. Specifically, it insures deposits up to a certain limit, which helps to maintain public confidence in the banking system and enhances the stability of the financial system. This function is crucial because it assures individuals that their money is safe even in times of economic uncertainty or bank insolvency, encouraging people to keep their money in banks rather than hoarding cash. The agency also plays a key role in examining and supervising financial institutions to ensure their safety and soundness. The other choices provided do not accurately represent the correct name or purpose of the agency. The Financial Development Insurance Corporation and Financial Deposit Insurance Company are not real entities related to banking and finance, and while the last option, Federal Deposit Insurance Company, is almost correct, the proper acronym is specifically "Corporation" rather than "Company."*

# 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://bpacontest145bankingfinance.examzify.com

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