

# BPA Personal Financial Management Practice Test (Sample)

## Study Guide



**Everything you need from our exam experts!**

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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. The types of insurance that most individuals will need in their lives include all except?**
  - A. Health**
  - B. Hurricane**
  - C. Auto**
  - D. Homeowners**
  
- 2. In a financial transaction, what is often the role of the drawer?**
  - A. The person who receives the payment**
  - B. The individual authorizing the payment**
  - C. The financial institution holding the funds**
  - D. The debtor in a loan agreement**
  
- 3. What is a mutual fund?**
  - A. A single investment owned by an investor**
  - B. A collection of investments managed by professionals**
  - C. An account for saving money with high interest**
  - D. A government-backed investment strategy**
  
- 4. Which of the following would hurt your credit score?**
  - A. Paying your bills on time**
  - B. Staying at your job for multiple years**
  - C. Getting married**
  - D. Applying for multiple credit cards**
  
- 5. Which term describes the amount of money an individual can provide as a down payment for a loan?**
  - A. Capital**
  - B. Equity**
  - C. Liability**
  - D. Asset**

- 6. To protect the home you own from damages, you need what type of insurance?**
- A. Renter's insurance**
  - B. Homeowner's insurance**
  - C. Collision insurance**
  - D. Life insurance**
- 7. What type of loan arrangement involves regular payments from the lender to the borrower?**
- A. Standard mortgage**
  - B. Reverse mortgage**
  - C. Home equity loan**
  - D. Bridge loan**
- 8. You use a stock broker to purchase 200 shares of Capital Corporation at \$67.75. Assuming the broker receives a 2% commission, how much money will you pay for your purchase?**
- A. \$13,279**
  - B. \$13,550**
  - C. \$13,821**
  - D. \$16,260**
- 9. What is the potential disadvantage of using credit cards for purchases?**
- A. They improve credit scores automatically**
  - B. They can lead to overspending and debt accumulation**
  - C. They always carry no annual fees**
  - D. They provide cash back rewards on all purchases**
- 10. Who provides SBA loans?**
- A. Private investors**
  - B. Local banks exclusively**
  - C. The Federal government through the Small Business Administration**
  - D. State government agencies**

## Answers

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

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## **Explanations**

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**1. The types of insurance that most individuals will need in their lives include all except?**

**A. Health**

**B. Hurricane**

**C. Auto**

**D. Homeowners**

Individuals typically require certain types of insurance to protect themselves from various risks throughout their lives. Health insurance is crucial to cover medical expenses; auto insurance is often required for those who drive; and homeowners insurance is important for those who own a home, as it protects their property and belongings. Hurricane insurance is generally not a standard requirement for most individuals. While it can be essential for people living in areas prone to hurricanes, it is not universally necessary for everyone, unlike the other types of insurance listed. Therefore, hurricane insurance is more location-specific and not a type of coverage that most individuals will need, making it the exception in this context.

**2. In a financial transaction, what is often the role of the drawer?**

**A. The person who receives the payment**

**B. The individual authorizing the payment**

**C. The financial institution holding the funds**

**D. The debtor in a loan agreement**

In a financial transaction, the drawer is the individual or entity that authorizes the payment and initiates the transaction. This role is critical as the drawer provides the necessary instructions for the payment to be made from their account or to create a negotiable instrument, such as a check. The drawer ensures that there are sufficient funds available for the payment to be completed and assumes responsibility for the transaction. In contrast, the person who receives the payment acts as the payee and simply collects the funds as directed by the drawer. The financial institution holding the funds serves as an intermediary or custodian of the funds but does not authorize the payment itself. Lastly, the debtor in a loan agreement legally owes money to a creditor, but this role does not align with the function of the drawer in a financial transaction.

### 3. What is a mutual fund?

- A. A single investment owned by an investor
- B. A collection of investments managed by professionals**
- C. An account for saving money with high interest
- D. A government-backed investment strategy

A mutual fund is fundamentally a pool of money collected from various investors to invest in a diversified portfolio of stocks, bonds, or other securities. It is managed by professional fund managers who make investment decisions on behalf of the investors, aiming to achieve specific financial objectives such as growth or income. This collective investment approach allows individual investors to gain access to a broad range of assets that they might not be able to invest in individually, promoting diversification and potentially reducing risk. The professional management aspect is critical because these managers analyze market trends, select investments, and frequently adjust the portfolio based on performance and market conditions. This feature distinguishes mutual funds from other types of investments where the individual investor would typically handle all investment decisions themselves. In contrast, the other options describe different financial instruments or accounts that do not represent the structure and purpose of a mutual fund. For instance, a single investment owned by an investor is simply an individual stock or bond and does not encompass the diversification aspect of a mutual fund. An account for saving money with high interest typically refers to a savings account or high-yield savings account, which is focused on liquidity and interest gains rather than investment growth through a diversified portfolio. Lastly, a government-backed investment strategy could refer to various programs or bonds but does not

### 4. Which of the following would hurt your credit score?

- A. Paying your bills on time
- B. Staying at your job for multiple years
- C. Getting married
- D. Applying for multiple credit cards**

Applying for multiple credit cards can hurt your credit score because each application typically results in a hard inquiry on your credit report. Hard inquiries indicate to creditors that you are seeking to take on more credit, which can be perceived as a sign of potential financial trouble, especially if multiple inquiries occur within a short time frame. This can lower your score temporarily and may raise concerns among lenders regarding your creditworthiness. In contrast, consistently paying bills on time is one of the most positive behaviors influencing your credit score, as it demonstrates reliability and financial responsibility. Staying at your job for multiple years generally supports a stable income, which can enhance your creditworthiness, since lenders look favorably at stable employment history. Getting married does not directly impact your credit score, although the financial decisions made as a couple can affect it later on.

**5. Which term describes the amount of money an individual can provide as a down payment for a loan?**

- A. Capital**
- B. Equity**
- C. Liability**
- D. Asset**

The term that best describes the amount of money an individual can provide as a down payment for a loan is capital. In the context of financing, capital refers to the resources that a person can invest upfront when securing a loan, such as for purchasing a home or other large assets. A down payment is essentially a form of capital that reduces the total amount borrowed and demonstrates to lenders the borrower's investment in the transaction, thereby potentially lowering the lender's risk. Equity refers to the ownership interest in an asset after subtracting any liabilities associated with it; it is not used to describe the initial sum paid upfront. Liability pertains to any financial debts or obligations a person has and does not directly correlate to the down payment itself. An asset is something of value or a resource owned by an individual, which could include the property being financed, but does not specifically indicate the funds available for a down payment.

**6. To protect the home you own from damages, you need what type of insurance?**

- A. Renter's insurance**
- B. Homeowner's insurance**
- C. Collision insurance**
- D. Life insurance**

Homeowner's insurance is specifically designed to protect homeowners from a variety of risks and damages related to their property. This type of insurance typically covers the structure of the house itself, personal property within the home, liability for injuries that occur on the property, and loss of use if the home becomes uninhabitable due to covered damages. For instance, homeowner's insurance might cover incidents such as fire, theft, or natural disasters, providing the homeowner with financial assistance to repair or replace their home and belongings. It is essential for anyone who owns a home, as it safeguards their investment and offers peace of mind against unforeseen events. In contrast, renter's insurance is aimed at individuals who are renting their living space and does not cover the physical structure of the property but rather the renter's personal belongings. Collision insurance is primarily for vehicles and covers damages from car accidents, while life insurance provides financial protection to designated beneficiaries after the policyholder's death. Thus, homeowner's insurance is the appropriate choice for individuals seeking to protect their home from damages.

**7. What type of loan arrangement involves regular payments from the lender to the borrower?**

- A. Standard mortgage
- B. Reverse mortgage**
- C. Home equity loan
- D. Bridge loan

A reverse mortgage is a unique type of loan arrangement where the lender makes regular payments to the borrower, typically homeowners who are elderly and have a significant amount of equity in their homes. This arrangement allows the borrower to access the equity in their home without needing to sell it, providing them with capital to use for various expenses, such as healthcare or living costs, while still living in the home. The key feature that distinguishes a reverse mortgage from other types of loans is that instead of the borrower making payments to the lender, the lender pays the borrower in installments. This creates a cash flow to the homeowner while deferring repayment until the homeowner moves out of the home, sells it, or passes away. The loan amount, interest, and any fees accrued are eventually paid back from the sale of the home, often leaving the homeowner with their equity as well, depending on the arrangement and housing market conditions. Understanding reverse mortgages is essential for financial planning, especially for older adults considering their retirement strategies and how to effectively utilize their home equity.

**8. You use a stock broker to purchase 200 shares of Capital Corporation at \$67.75. Assuming the broker receives a 2% commission, how much money will you pay for your purchase?**

- A. \$13,279
- B. \$13,550
- C. \$13,821**
- D. \$16,260

To calculate the total amount you will pay for your stock purchase, you first need to determine the cost of the shares alone and then add the broker's commission. Begin with the purchase price of the shares. If you are buying 200 shares at \$67.75 each, the total cost of the shares is calculated as follows:  $200 \text{ shares} \times 67.75 \text{ dollars/share} = 13,550 \text{ dollars}$  Next, you need to calculate the broker's commission, which is 2% of the total cost of the shares. To find this, you multiply the total cost by 2% (or 0.02):  $13,550 \text{ dollars} \times 0.02 = 271 \text{ dollars}$  Now, add the commission to the original cost of the shares to find the total amount you will pay:  $13,550 \text{ dollars} + 271 \text{ dollars} = 13,821 \text{ dollars}$  Thus, the total amount you will pay

**9. What is the potential disadvantage of using credit cards for purchases?**

- A. They improve credit scores automatically**
- B. They can lead to overspending and debt accumulation**
- C. They always carry no annual fees**
- D. They provide cash back rewards on all purchases**

Using credit cards for purchases has several potential disadvantages, one of which is the tendency to lead to overspending and debt accumulation. Credit cards can create a sense of financial freedom that may encourage individuals to spend beyond their means. This behavior is often fueled by the ease of swiping a card for purchases without immediate consideration of cash flow. When individuals do not manage their credit card usage carefully, it can result in significant debt, particularly if they only make minimum payments or fail to pay off the total balance each month. This can lead to high-interest costs over time, further exacerbating financial problems. The other choices do not present valid disadvantages or are generally positive aspects of credit card usage. While improving credit scores is a benefit of responsible credit card use, it doesn't happen automatically; it depends on how the user manages their credit. Not all credit cards come with no annual fees, as many do incur fees depending on the card's features. Lastly, while many credit cards offer cash back rewards, not all purchases may be eligible for such rewards, making this statement misleading. Thus, the concern regarding overspending and accumulating debt stands out as the most relevant disadvantage of utilizing credit cards for everyday purchases.

**10. Who provides SBA loans?**

- A. Private investors**
- B. Local banks exclusively**
- C. The Federal government through the Small Business Administration**
- D. State government agencies**

The correct answer is that the Federal government provides SBA loans through the Small Business Administration (SBA). The SBA is a government agency that helps small businesses obtain financing by facilitating loans from financial institutions. While banks and other lenders provide the actual funds for these loans, the SBA guarantees a portion of the loan, reducing the risk for lenders and making them more willing to lend to small businesses that might not qualify for traditional loans. This guarantee is a critical feature of SBA loans, as it encourages lenders to provide funding to small businesses that may have less established credit histories or collateral. The involvement of the SBA allows more small businesses to access the capital they need to grow and succeed. Other options, such as private investors and state government agencies, do not provide SBA loans, emphasizing that the SBA specifically plays a unique role in ensuring these loans are available to small businesses. Local banks may participate in the loan process, but they are not the sole providers of SBA loans.

## 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](mailto:hello@examzify.com).**

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

**<https://bpapersonalfinancialmgmt.examzify.com>**

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

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