

DSST Money & Banking Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of questions,

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain from reliable sources accurate, complete, and timely information about this product.

SAMPLE

Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	6
Answers	9
Explanations	11
Next Steps	17

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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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!

SAMPLE

Questions

- 1. What does the term 'currency in circulation' refer to?**
 - A. Cash held by banks**
 - B. Paper and coin money in the hands of the public**
 - C. Deposits held by the Central Bank**
 - D. Non-liquid assets owned by individuals**
- 2. What characteristic distinguishes near money from regular money?**
 - A. It can be easily converted into cash**
 - B. It is always held in foreign currency**
 - C. It cannot be spent directly**
 - D. It has a fixed value over time**
- 3. What is the primary purpose of fixed assets in a business?**
 - A. Short-term resale**
 - B. Long-term use**
 - C. Immediate liquidity**
 - D. Daily operations**
- 4. Which theory argues that individuals' economic decisions are based on historical data?**
 - A. Rational Expectations**
 - B. Adaptive Expectations**
 - C. Efficient Market Hypothesis**
 - D. Keynesian Economics**
- 5. What type of market is defined by an expectation that stock prices will increase in the future?**
 - A. Bear Market**
 - B. Equity Market**
 - C. Futures Market**
 - D. Bull Market**

- 6. What term refers to the situation when the demand for certain goods changes significantly with minimal price alteration?**
- A. Price Stability**
 - B. Price Insensitivity**
 - C. Demand Resilience**
 - D. Demand Rigidity**
- 7. What is a primary characteristic of credit unions?**
- A. They are for-profit institutions.**
 - B. They offer high-interest loans.**
 - C. They are owned by members who usually loan to one another.**
 - D. They are strictly regulated by the SEC.**
- 8. What is the formula for calculating net sales?**
- A. Gross Sales + returns and allowances**
 - B. Gross Sales - returns and allowances**
 - C. Net Sales = Gross Margin - CGS**
 - D. Returns and allowances - Gross Sales**
- 9. What is the term for income after taxes that is available for consumers to spend?**
- A. Disposable Income**
 - B. Net Income**
 - C. Gross Income**
 - D. Available Income**
- 10. What type of money is guaranteed by the trustworthiness of the government rather than having intrinsic value?**
- A. Commodity Money**
 - B. Fiat Money**
 - C. Gold-Backed Currency**
 - D. Cryptocurrency**

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. What does the term 'currency in circulation' refer to?

- A. Cash held by banks**
- B. Paper and coin money in the hands of the public**
- C. Deposits held by the Central Bank**
- D. Non-liquid assets owned by individuals**

The term 'currency in circulation' specifically refers to the physical paper money and coins that are actively used and held by the public, which facilitates transactions in the economy. This is the cash that individuals and businesses use in everyday exchanges, contributing to the overall money supply. In contrast, cash held by banks is not considered to be in circulation since it is not available for public use in transactions. Deposits held by the Central Bank represent reserves and do not reflect the currency that is accessible to the public for spending. Non-liquid assets, such as real estate or stocks, are not immediately convertible to cash and do not play a direct role in the medium of exchange in everyday transactions. Therefore, the definition of currency in circulation aligns perfectly with the paper and coin money that individuals hold and utilize for their purchases and payments.

2. What characteristic distinguishes near money from regular money?

- A. It can be easily converted into cash**
- B. It is always held in foreign currency**
- C. It cannot be spent directly**
- D. It has a fixed value over time**

Near money refers to financial assets that can easily be converted into cash but are not a medium of exchange themselves. This includes instruments like savings accounts, certificates of deposit, and Treasury bills. The defining characteristic of near money is its liquidity—in that it can be quickly and conveniently transformed into cash without a significant loss of value. The correct understanding centers around the ease of conversion. While near money can be converted into cash smoothly, it differs from regular money, which is directly used for transactions. This aspect makes near money a useful instrument for holding and managing wealth while retaining the ability to access cash when necessary. The other choices present concepts that do not accurately capture the essence of near money. For instance, while foreign currency can sometimes be considered near money, it is not a defining characteristic. Some entities might hold near money in their domestic currency as well. The idea that near money cannot be spent directly is correct, as it emphasizes that while it is not used for day-to-day transactions like cash, it can still be converted into cash for spending purposes. Lastly, the suggestion that near money has a fixed value over time is misleading; values of savings instruments can fluctuate due to interest rates and economic conditions, in contrast to cash, which has a more stable purchasing

3. What is the primary purpose of fixed assets in a business?

- A. Short-term resale**
- B. Long-term use**
- C. Immediate liquidity**
- D. Daily operations**

The primary purpose of fixed assets in a business is long-term use. Fixed assets, such as buildings, machinery, and equipment, are intended to be used over an extended period, typically more than one year. These assets are essential for a company's operations as they are utilized to produce goods or services that drive revenue generation. Unlike current assets, which are expected to be converted into cash or used within a year, fixed assets are crucial for sustaining ongoing business activities and investments. They contribute to the company's overall capacity to operate efficiently and effectively, supporting various functions over their useful life.

4. Which theory argues that individuals' economic decisions are based on historical data?

- A. Rational Expectations**
- B. Adaptive Expectations**
- C. Efficient Market Hypothesis**
- D. Keynesian Economics**

The correct answer is based on the concept of adaptive expectations, which suggests that individuals form their expectations about future economic variables based on past experiences and historical data. This theory indicates that people adjust their expectations gradually as new data about economic trends becomes available, rather than using all information instantaneously or making decisions based on a set theoretical model. In contrast to adaptive expectations, the rational expectations theory posits that individuals use all available information, both current and historical, to form expectations and make decisions accordingly. Individuals are assumed to act on their beliefs about the future based on a rational analysis of available data, which can lead to more accurate predictions, assuming they have the full ability to process information correctly. The efficient market hypothesis argues that asset prices reflect all available information, suggesting that it is impossible to consistently achieve higher returns than the overall market through expert stock selection or market timing. Keynesian economics emphasizes active government intervention in the economy and does not primarily focus on how individuals form their economic expectations based on historical data. Thus, adaptive expectations best encapsulates the idea that individuals' economic decisions are heavily influenced by historical data, allowing them to make incremental adjustments based on past experiences.

5. What type of market is defined by an expectation that stock prices will increase in the future?

- A. Bear Market**
- B. Equity Market**
- C. Futures Market**
- D. Bull Market**

A market characterized by the expectation that stock prices will increase in the future is referred to as a bull market. In this environment, investor confidence is high, leading to increased buying activity. As more participants enter the market anticipating higher prices, demand for stocks rises, which typically drives prices up even further. The notion of a bull market is pivotal because it reflects a period when the overall sentiment is optimistic, often fueled by strong economic factors or positive developments in specific sectors. It's a time when investors are more likely to take risks, as the prospect of gains outweighs concerns about potential losses. Understanding this concept is important because bull markets can influence investment strategies and overall market dynamics, shaping how individuals and institutions approach their asset allocation and portfolio management.

6. What term refers to the situation when the demand for certain goods changes significantly with minimal price alteration?

- A. Price Stability**
- B. Price Insensitivity**
- C. Demand Resilience**
- D. Demand Rigidity**

The term that describes a situation where the demand for certain goods changes significantly with minimal price alteration is referred to as price insensitivity. This concept is indicative of a demand curve that is relatively steep, suggesting that consumers are not very responsive to changes in price. In such scenarios, even a small increase or decrease in price does not greatly affect the quantity demanded by consumers. Price insensitivity often occurs with essential goods or those with fewer substitutes—consumers may continue to buy these products regardless of price changes because they perceive them as necessary for their daily lives. This can lead to a stable demand even in fluctuating economic conditions. Understanding this concept is crucial for businesses and economists, as it helps to gauge how price adjustments might influence sales and revenue. Companies may strategically use this knowledge to maintain pricing strategies for essential goods, knowing that demand will remain relatively constant even with price changes.

7. What is a primary characteristic of credit unions?

- A. They are for-profit institutions.
- B. They offer high-interest loans.
- C. They are owned by members who usually loan to one another.**
- D. They are strictly regulated by the SEC.

Credit unions are primarily characterized by their member ownership structure, which differentiates them from other financial institutions. Unlike banks, which are for-profit entities owned by shareholders, credit unions are not-for-profit cooperatives owned and operated by their members. This means that the people who use the credit union's services—such as saving and borrowing—are also the same individuals who own it. The member-centric model allows credit unions to often provide more favorable terms, such as lower interest rates on loans and higher savings rates compared to traditional banks. Members typically join credit unions based on a common bond, such as employment, geographic location, or community affiliation, which fosters a sense of community and mutual assistance. Thus, members often loan to one another, further emphasizing the cooperative and supportive nature of credit unions. This structure is critical in understanding how credit unions operate and their primary distinction within the financial system. The other choices do not accurately reflect the core attributes of credit unions; they are not for-profit institutions, they do not typically charge higher interest on loans compared to banks, and they are not regulated by the SEC, but rather by the National Credit Union Administration (NCUA) or state-level regulatory bodies.

8. What is the formula for calculating net sales?

- A. Gross Sales + returns and allowances
- B. Gross Sales - returns and allowances**
- C. Net Sales = Gross Margin - CGS
- D. Returns and allowances - Gross Sales

Net sales are a crucial figure in financial reporting and analysis, representing the actual revenue generated by a company from sales after accounting for any returns and allowances. The formula for calculating net sales is correct as stated: it is determined by subtracting returns and allowances from gross sales. Gross sales reflect the total revenue generated from all sales transactions before any deductions. However, since businesses often experience returns of products and may offer allowances on certain transactions (for instance, discounts or credits for issues with the product), it's essential to factor these amounts out to arrive at a more accurate measure of revenue generated from sales. Thus, the correct formula, which is gross sales minus returns and allowances, provides a clear view of the net sales figure, enabling businesses to assess their true performance and profitability from sales activities. This number is particularly useful for internal financial analysis and reporting to external stakeholders, offering insights into the efficacy of sales strategies and product satisfaction among customers.

9. What is the term for income after taxes that is available for consumers to spend?

A. Disposable Income

B. Net Income

C. Gross Income

D. Available Income

Disposable income refers to the amount of money that households have available for spending and saving after income taxes have been deducted. It is a crucial economic indicator because it directly affects consumer spending, which is a significant component of overall economic activity. When consumers have more disposable income, they are more likely to spend on goods and services, thereby stimulating economic growth. This concept contrasts with net income, which reflects earnings after all deductions, including taxes and other withholdings, but might not directly relate to consumer spending capacity. Gross income represents total earnings before any deductions are accounted for, while available income is a less commonly used term but often used interchangeably with disposable income in a broader sense. Hence, the correct term is indeed disposable income, as it encapsulates the definition of money left after taxes, ready for consumer expenditure.

10. What type of money is guaranteed by the trustworthiness of the government rather than having intrinsic value?

A. Commodity Money

B. Fiat Money

C. Gold-Backed Currency

D. Cryptocurrency

Fiat money is a type of currency that is not backed by a physical commodity, such as gold or silver, but rather derives its value from the trust and confidence that people place in the government that issues it. This trust enables fiat money to be used as a medium of exchange, a unit of account, and a store of value within the economy. Unlike commodity money, which has intrinsic value due to the physical materials from which it is made, fiat money has no inherent value. Its value is maintained by the stability of the issuing government, the demand for the currency, and the government's ability to maintain control over its supply. Concepts such as inflation, governmental policy, and economic conditions can significantly affect the value of fiat money, further highlighting its dependency on trust. The other types of money mentioned, such as commodity money and gold-backed currency, derive their value from the intrinsic worth of the commodity they represent. Cryptocurrency, while a modern form of money, typically operates on decentralized blockchain technology and its value can be highly volatile and driven by market demand, not a government guarantee. Therefore, the defining characteristic of fiat money is its reliance on governmental trustworthiness, which makes it the correct answer.

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://dsstmoneybanking.examzify.com>

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