

EPF Honors Essentials 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. What psychological tendency leads people to favor information that confirms their existing beliefs?**
 - A. Confirmation bias**
 - B. Hindsight bias**
 - C. Framing effect**
 - D. Overconfidence bias**

- 2. Can the EPF contributions be claimed as business expenses for an employer?**
 - A. No, they must be paid from personal funds**
 - B. Yes, employer contributions can be claimed as a deduction for income tax purposes**
 - C. Only contributions to NPS can be claimed**
 - D. It depends on the type of business**

- 3. What should you do if you have a \$500 deductible and are involved in a \$600 accident?**
 - A. Claim partial coverage**
 - B. Pay the full amount**
 - C. Obtain a loan**
 - D. Negotiate with the other party**

- 4. Which of the following refers to a risk for employers regarding EPF compliance?**
 - A. Market fluctuations**
 - B. Employee turnover**
 - C. Penalties for non-compliance**
 - D. Changes in government policies**

- 5. What percentage of your pre-tax pay should you typically spend on rent or mortgage?**
 - A. 20%**
 - B. 25%**
 - C. 30%**
 - D. 35%**

- 6. What should employees do when reviewing their paylips for EPF deductions?**
- A. Compare only with last month's paylip**
 - B. Verify calculations to ensure accuracy**
 - C. Ignore small discrepancies**
 - D. Focus only on the total salary figure**
- 7. What is the function of a secured credit card?**
- A. To improve credit score without payments**
 - B. To offer high credit limits**
 - C. To provide credit backed by a savings account**
 - D. To remove all finance charges**
- 8. What is the penalty for not depositing EPF contributions on time?**
- A. Only verbal warnings will be issued**
 - B. Employers may face penalties, which can include fines and legal actions**
 - C. Employers are exempt from penalties**
 - D. There are no penalties, only delays in processing**
- 9. What are two items you should avoid carrying in your wallet?**
- A. Credit cards and bank statements**
 - B. A blank check and your social security card**
 - C. Driver's license and identification card**
 - D. Cash and receipts**
- 10. What is a prepaid card designed to do?**
- A. Withdraw cash from ATM**
 - B. Make purchases until the balance is depleted**
 - C. Accumulate interest on the balance**
 - D. Offer credit based on income**

Answers

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

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Explanations

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1. What psychological tendency leads people to favor information that confirms their existing beliefs?

- A. Confirmation bias**
- B. Hindsight bias**
- C. Framing effect**
- D. Overconfidence bias**

Confirmation bias refers to the psychological tendency where individuals preferentially seek out, interpret, and remember information that aligns with their preexisting beliefs or hypotheses, while disregarding or minimizing information that contradicts them. This cognitive bias can lead to distorted thinking and reinforce existing beliefs, making it challenging to accept new evidence or viewpoints. In various contexts, such as in political beliefs, social issues, or even personal relationships, confirmation bias can significantly influence decision-making and opinion formation. The other biases mentioned, while related to decision-making and perception, do not specifically address the tendency to favor information confirming existing beliefs. Hindsight bias involves the inclination to see past events as having been predictable, framing effect pertains to how information is presented and how that influences decision-making, and overconfidence bias relates to an individual's subjective confidence in their judgments being greater than their objective accuracy.

2. Can the EPF contributions be claimed as business expenses for an employer?

- A. No, they must be paid from personal funds**
- B. Yes, employer contributions can be claimed as a deduction for income tax purposes**
- C. Only contributions to NPS can be claimed**
- D. It depends on the type of business**

The ability of employers to claim EPF (Employee Provident Fund) contributions as deductions for income tax purposes is rooted in tax legislation that allows these contributions to be treated as a permissible business expense. By classifying the employer's share of EPF contributions as a business expense, it reduces the taxable income of the business, thereby providing a financial incentive for employers to contribute to employee retirement savings. This not only benefits the employer in terms of tax savings but also encourages the employer to foster a financially secure environment for their employees by supporting retirement initiatives. Thus, understanding that employer contributions qualify as deductions highlights the importance of tax planning within the context of employee benefits. While options suggesting that contributions must be from personal funds, are exclusively applicable to NPS (National Pension System), or depend on business type introduce inaccuracies, they do not apply because the EPF specifically provides an avenue for tax-deductible contributions that support both employers and employees in planning for future financial stability.

3. What should you do if you have a \$500 deductible and are involved in a \$600 accident?

- A. Claim partial coverage**
- B. Pay the full amount**
- C. Obtain a loan**
- D. Negotiate with the other party**

In a situation where you have a \$500 deductible and are involved in a \$600 accident, the correct action would be to pay the full amount. This is because the deductible is the amount you are responsible for before your insurance coverage kicks in. In this case, since the cost of the accident (\$600) is only \$100 more than your deductible, you are responsible for the entire deductible amount. After paying the deductible, your insurance would cover any additional costs above that amount, but since your accident's costs do not exceed the deductible, you will end up paying the full \$600 yourself. Hence, paying the full amount reflects the terms of the insurance policy regarding deductibles. Other actions such as claiming partial coverage or negotiating would not make sense under these circumstances, as your responsibility under the deductible has to be satisfied before any insurance payout occurs. Obtaining a loan is not a practical solution when the situation merely requires fulfilling the deductible obligation.

4. Which of the following refers to a risk for employers regarding EPF compliance?

- A. Market fluctuations**
- B. Employee turnover**
- C. Penalties for non-compliance**
- D. Changes in government policies**

The identification of penalties for non-compliance as a risk for employers regarding EPF compliance is significant because failing to adhere to the regulations set forth by the Employees' Provident Fund (EPF) can result in various financial and legal repercussions. Employers have a legal obligation to comply with EPF rules, which includes timely contributions to the fund for their employees. If they neglect these responsibilities, they could face monetary penalties, increased scrutiny from regulatory bodies, and possibly legal action. This compliance risk emphasizes the need for employers to stay informed and ensure that all requirements are met to avoid detrimental outcomes that could impact their business operations and financial standing. In terms of the other options, while market fluctuations and changes in government policies do pose risks for businesses in a broader context, they do not directly pertain to the specific compliance-related obligations tied to EPF. Similarly, employee turnover can affect business operations and costs but does not have the same direct implication for regulatory compliance and legal risk as the penalties for failing to meet EPF requirements. Understanding this compliance risk is crucial for businesses to avoid unnecessary penalties and maintain good standing with regulatory authorities.

5. What percentage of your pre-tax pay should you typically spend on rent or mortgage?

- A. 20%**
- B. 25%**
- C. 30%**
- D. 35%**

Typically, financial experts recommend that individuals spend about 30% of their pre-tax income on housing costs, which include rent or mortgage payments. This guideline serves as a standard benchmark to help balance housing affordability with other financial obligations. Spending around 30% allows individuals to maintain a budget that can accommodate necessary expenses like groceries, healthcare, savings, and discretionary spending. By following this guideline, many people can ensure that they do not overextend their finances on housing, which is often the largest expense in a household's budget. While there are variations in recommendations based on personal circumstances, a significant number of financial advisors assert that keeping housing costs to this percentage can help promote long-term financial stability and health.

6. What should employees do when reviewing their payslips for EPF deductions?

- A. Compare only with last month's pay slip**
- B. Verify calculations to ensure accuracy**
- C. Ignore small discrepancies**
- D. Focus only on the total salary figure**

When reviewing their payslips for EPF (Employees' Provident Fund) deductions, employees should verify calculations to ensure accuracy. This practice is essential because it helps employees confirm that the correct amount has been deducted for their EPF contributions and that their gross salary, deductions, and net pay are accurately reflected. By verifying the calculations, employees can catch any errors or discrepancies that might occur, such as miscalculations or unauthorized deductions. This attention to detail is important for maintaining accurate financial records and ensuring that their retirement savings are not adversely affected. Neglecting to verify calculations or focusing solely on other factors, such as previous payslips or total salary figures, can lead to undetected errors that could impact an employee's benefits and future retirement planning. Similarly, ignoring small discrepancies is risky, as they could accumulate over time and result in significant financial differences. Therefore, thorough verification is crucial for financial accuracy and accountability.

7. What is the function of a secured credit card?

- A. To improve credit score without payments
- B. To offer high credit limits
- C. To provide credit backed by a savings account**
- D. To remove all finance charges

A secured credit card functions by providing credit that is backed by a savings account, which serves as collateral for the credit limit. When a cardholder applies for a secured credit card, they typically deposit a certain amount of money into a designated savings account. This deposit acts as a security for the credit line; for example, if someone deposits \$500, they might have a credit limit of up to \$500. This arrangement makes secured credit cards a useful tool for individuals who are looking to build or rebuild their credit history, especially those who may have a limited credit history or a low credit score. By using the card responsibly—making timely payments and keeping the balance low—the cardholder can demonstrate creditworthiness, which can lead to an improved credit score over time. In contrast, the other choices don't accurately reflect the primary function of secured credit cards. The notion of improving a credit score without making payments is misleading since timely payments are critical for building credit. High credit limits are generally associated with unsecured credit cards. While finance charges can be minimized through responsible use of credit, they cannot be entirely removed simply by using a secured card.

8. What is the penalty for not depositing EPF contributions on time?

- A. Only verbal warnings will be issued
- B. Employers may face penalties, which can include fines and legal actions**
- C. Employers are exempt from penalties
- D. There are no penalties, only delays in processing

The penalty for not depositing EPF contributions on time is significant and can involve various repercussions for employers. This involves financial penalties, which may include fines that are imposed for late or non-compliance with the EPF (Employee Provident Fund) regulations. In addition to fines, employers may also face legal actions, which can further complicate their responsibilities and financial standing. This accountability mechanism is in place to ensure that employers adhere to their obligations in managing employees' provident fund contributions, thereby protecting the financial rights of the employees. Timely deposits are critical, as they impact the employees' savings for retirement and other benefits associated with the EPF.

9. What are two items you should avoid carrying in your wallet?

- A. Credit cards and bank statements**
- B. A blank check and your social security card**
- C. Driver's license and identification card**
- D. Cash and receipts**

Choosing to avoid carrying a blank check and your social security card in your wallet is a wise decision for several reasons. A blank check can pose significant risks if lost or stolen, as it provides the potential for someone to fill it out and access your funds without your consent. This can lead to unauthorized withdrawals from your bank account, resulting in financial loss and complications in recovering those funds. Carrying your social security card also presents a risk. If someone gains access to this sensitive information, it could lead to identity theft. This card contains your social security number, which is a critical piece of personal data that can be used to open accounts, take loans, and perform various fraudulent activities in your name. Thus, keeping this card in a secure location at home rather than in your wallet is a prudent measure to protect your identity. While other options may include items that have certain risks, none carry the same level of impact on finances and identity security as a blank check and social security card.

10. What is a prepaid card designed to do?

- A. Withdraw cash from ATM**
- B. Make purchases until the balance is depleted**
- C. Accumulate interest on the balance**
- D. Offer credit based on income**

A prepaid card is fundamentally designed to facilitate purchases using funds that have been preloaded onto the card. Users can load a set amount of money onto the card, and the card can then be used to make purchases until that balance is completely depleted. This characteristic distinctly defines prepaid cards, making them a practical option for budgeting, as users cannot spend more than what is loaded, thereby avoiding debt. While prepaid cards can allow for cash withdrawals at ATMs, their primary purpose is not to serve as a primary cash access tool but rather as a spending tool. They do not accumulate interest because they typically do not function as traditional savings or checking accounts. Additionally, they do not offer credit based on income since they do not involve borrowing money—the cardholder can only spend what they have previously deposited onto the card. Thus, the best description of a prepaid card is its function to allow purchases until the balance is exhausted.

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://epfhonorsessentials.examzify.com>

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

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