Finance and Investment Challenge Practice Test (Sample)

Study Guide

BY EXAMZIFY

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

1. **Following the Black Monday market crash in 1987, the NYSE imposed trading curbs, or 'cooling-off periods', for what reason?**

   A. To increase trading opportunities

   B. To reduce commissions

   C. To encourage short selling

   D. To reduce market volatility and massive panic sell-offs

2. **Office Properties, Retail Properties, Industrial Properties, Single-family rental properties are collectively best described as what?**

   A. Real estate investment or income producing properties

   B. Stock market sectors

   C. Commodity assets

   D. Derivative strategies

3. **It's a measure of the output provided by a given input.**

   A. Productivity

   B. Efficiency

   C. Yield

   D. Output

4. **Speculation is characterized by taking on risk in pursuit of potentially higher returns; which description fits this?**

   A. Risk-free investing

   B. Conservative diversification

   C. Investment in hope of gain, but with risk of loss

   D. Long-term savings plan

5. **Which term refers to revenue after subtracting returns and discounts?**

   A. Gross Sales

   B. Net Revenue

   C. Revenue from Customers

   D. Net Sales

6. Disability insurance is a program managed by which agency?

    A. Social Security Administration

    B. IRS

    C. Department of Labor

    D. Department of Education

7. Which term is most closely tied to revenue from sales after returns and discounts are deducted?

    A. Net Revenue

    B. Gross Sales

    C. Operating Income

    D. Net Sales

8. Property Tax amounts are determined exclusively by the square footage of the property owned.

    A. False

    B. True

    C. Depends on assessed value

    D. Only for commercial properties

9. What is a Carbon Tax?

    A. Tax on Fossil Fuels

    B. A tax on carbonated beverages

    C. Tax credits for renewable energy

    D. Income tax applied to carbon emitting industries

10. Speculation involves taking on risk in the hope of gain; which option best describes this concept?

    A. A guaranteed return

    B. High risk for potential gain

    C. Investment in hope of gain, but with risk of loss

    D. A diversified, low-risk plan

Answers

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

Explanations

1. **Following the Black Monday market crash in 1987, the NYSE imposed trading curbs, or 'cooling-off periods', for what reason?**

    A. To increase trading opportunities

    B. To reduce commissions

    C. To encourage short selling

    D. To reduce market volatility and massive panic sell-offs

Cooling-off periods are designed to pause trading during extreme price moves to prevent panic selling and restore some order to the market. After the 1987 crash, the NYSE used these cooling-off mechanisms to slow the rush of selling, giving investors time to absorb information and reassess their positions. This pause helps reduce the likelihood of a self-reinforcing downward spiral where fear drives further selling and prices plunge even more. The goal was to dampen volatility and curb massive panic selling, not to increase trading opportunities, cut commissions, or encourage short selling.

2. **Office Properties, Retail Properties, Industrial Properties, Single-family rental properties are collectively best described as what?**

    A. Real estate investment or income producing properties

    B. Stock market sectors

    C. Commodity assets

    D. Derivative strategies

These are real estate assets purchased to generate income. Office, retail, industrial spaces, and single-family rental homes are tangible properties that landlords rent out, creating cash flow and potential price appreciation over time. That's why they're best described as real estate investment or income-producing properties. They aren't stock market sectors (which categorize companies), nor commodity assets (raw materials like oil or gold), nor derivative strategies (financial contracts based on underlying assets). The focus here is on physical properties used to earn rental income.

3. **It's a measure of the output provided by a given input.**

    A. Productivity

    B. Efficiency

    C. Yield

    D. Output

Productivity is about how much output you get from a given amount of input. It measures how effectively resources are turned into goods or services, so increasing output while holding inputs constant raises productivity, and using more inputs for the same output lowers it.   Efficiency is more about doing things with as little waste or as little cost as possible, not strictly about the ratio of output to input. Yield typically refers to the proportion of good or acceptable units out of total units produced, rather than overall output per input. Output alone looks at total production, without tying it to the amount of input used. Because the statement describes output relative to the input used, it best matches productivity.

4. Speculation is characterized by taking on risk in pursuit of potentially higher returns; which description fits this?

A. Risk-free investing

B. Conservative diversification

C. Investment in hope of gain, but with risk of loss

D. Long-term savings plan

Speculation involves taking on risk in pursuit of potentially higher returns. The description that fits best is investing in hope of gain, but with risk of loss. That phrase captures the essence: the goal is to achieve outsized gains, but only if the risk taken pays off, and the possibility of losing the invested capital is real. This stands in contrast to risk-free investing (no risk), conservative diversification (spreading risk but not chasing high returns), and a long-term savings plan (emphasizing steady growth with lower risk). In short, speculation is about making high-risk bets for the chance of bigger rewards, fully acknowledging the chance of losses.

5. Which term refers to revenue after subtracting returns and discounts?

A. Gross Sales

B. Net Revenue

C. Revenue from Customers

D. Net Sales

Subtracting returns and discounts from gross sales gives Net Sales. Gross sales is the total amount billed before any reductions. Returns are items customers send back, and discounts reduce the price charged; together they lower the revenue that was initially recorded. Net Sales represents the actual revenue the company recognizes from sales after these reductions and is the figure used on financial statements before accounting for costs and expenses. Net Revenue is a related term in some contexts, but the precise term for subtracting returns and discounts is Net Sales.

6. Disability insurance is a program managed by which agency?

A. Social Security Administration

B. IRS

C. Department of Labor

D. Department of Education

Disability insurance in the U.S. is handled by one federal agency that administers the programs providing monthly benefits to workers who become disabled and meet medical criteria. This agency runs the Social Security Disability Insurance program for insured workers and the Supplemental Security Income program for certain low-income individuals with disabilities, handling applications, medical determinations, and ongoing benefit payments. The IRS is responsible for tax collection and tax-related programs, not disability benefits. The Department of Labor oversees workforce-related issues and unemployment programs, but not disability insurance. The Department of Education handles education-related matters and has no role in disability insurance program administration. Therefore, the agency that manages disability insurance is the Social Security Administration.

7. Which term is most closely tied to revenue from sales after returns and discounts are deducted?

A. Net Revenue

B. Gross Sales

C. Operating Income

D. Net Sales

The key idea is distinguishing how much revenue remains after customers return items or take discounts. Net Sales is the figure that captures sales revenue after those deductions. It's calculated by taking gross sales and subtracting returns, allowances, and discounts, giving the actual amount the company earns from its core sales activities. For example, if gross sales are 1,000 and returns, allowances, and discounts total 130, net sales would be 870, the amount used to evaluate profitability from sales (e.g., to compute gross margin with cost of goods sold). Gross Sales would be the total before any deductions, so it overstates what's actually earned. Operating Income is further down the income statement, reflecting profit after subtracting costs and expenses from net sales. Net Revenue can be used in some contexts but isn't as precise for this specific definition, since it may include other revenue sources. Net Sales specifically matches revenue from sales after returns and discounts are deducted.

8. Property Tax amounts are determined exclusively by the square footage of the property owned.

A. False

B. True

C. Depends on assessed value

D. Only for commercial properties

Property tax is not determined exclusively by how big a property is. The amount due is based on the assessed value, which is a taxable estimate of the property's worth, and this value is then multiplied by the local tax rate (plus any special assessments or exemptions). Square footage can influence assessed value, but many other factors—such as location, land value, improvements, property class, and available exemptions—also play a big role. So two properties with the same size can have different taxes, and a larger property can even be taxed less in a lower-rate area or with favorable exemptions.

9. What is a Carbon Tax?

A. Tax on Fossil Fuels

B. A tax on carbonated beverages

C. Tax credits for renewable energy

D. Income tax applied to carbon emitting industries

A carbon tax is a levy on the carbon content of fossil fuels, effectively charging for the CO_2 emissions that result when those fuels are burned. It follows the polluter pays idea: fuels that release more carbon incur a higher tax, encouraging cleaner energy use and less emissions. It's not a tax on carbonated beverages, not a system of tax credits for renewables, and not simply an income tax on carbon-emitting industries. Instead, the tax is tied to how much carbon the fuel will emit, or actually emitted, guiding choices toward lower-carbon options.

10. Speculation involves taking on risk in the hope of gain; which option best describes this concept?

A. A guaranteed return

B. High risk for potential gain

C. Investment in hope of gain, but with risk of loss

D. A diversified, low-risk plan

Speculation is about taking on risk with the hope of a gain. The best description is an investment pursued with the expectation of profit but with the risk of loss. This captures the essential trade-off: you pursue potentially higher rewards, but you must be willing to endure possible losses. The other options imply either a guaranteed return, which eliminates risk; or focus only on high risk without acknowledging the gain side; or describe a low-risk, diversified plan, which is not how speculation is typically characterized.

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://financeinvestmentchallenge.examzify.com

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