

Financial Management Domain 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. Which set of fund categories is represented in the fund reporting method?**
 - A. Operating, Reserve, and Special Funds**
 - B. Operating, Debt Service, and Reserve**
 - C. General, Administrative, and Special**
 - D. Income, Expense, and Equity**

- 2. Major improvement expenses are defined as which type of costs?**
 - A. Items not necessarily required but added to improve welfare, safety, or life, or to enhance resale value.**
 - B. Regular maintenance costs.**
 - C. Insurance premiums for residents.**
 - D. Routine administrative expenses.**

- 3. FHLMC is an acronym used in financing discussions. What does it stand for?**
 - A. Federal Home Loan Mortgage Corporation**
 - B. Federal Housing Loan Mortgage Company**
 - C. Federal Home Loan Market Corporation**
 - D. Federal Home Loan Mortgage Association**

- 4. What is the minimum denomination for Treasury bills?**
 - A. \$10,000**
 - B. \$1,000**
 - C. \$5,000**
 - D. \$50,000**

- 5. What does FHA stand for in the context of community associations?**
 - A. Federal Housing Administration**
 - B. Federal Housing Authority**
 - C. Federal Home Administration**
 - D. Federal Housing Agency**

- 6. The phrase component inventory is associated with which budgeting concept?**
- A. Full funding**
 - B. Historical trend budgeting**
 - C. Operating budget**
 - D. Major improvement expenses**
- 7. When a Treasury note or bond matures, the buyer receives the full face value. True or False?**
- A. True**
 - B. False**
 - C. Only for notes**
 - D. Only for bonds**
- 8. Which of the following are examples of investments as defined in the material?**
- A. Real estate and collectibles only**
 - B. Savings accounts, certificates of deposit, U.S. Treasury securities and stocks**
 - C. Cash kept under the mattress**
 - D. Loans to relatives**
- 9. Which of the following best describes liabilities in financial reporting?**
- A. Obligations owed to others or amounts collected in advance.**
 - B. Resources owned by the entity.**
 - C. Future revenues expected to be earned.**
 - D. Distributions to owners.**
- 10. Treasury notes and bonds are issued in denominations of?**
- A. From \$1,000 to \$100,000**
 - B. From \$500 to \$50,000**
 - C. From \$100 to \$1,000**
 - D. From \$10,000 to \$1,000,000**

Answers

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

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Explanations

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1. Which set of fund categories is represented in the fund reporting method?

- A. Operating, Reserve, and Special Funds**
- B. Operating, Debt Service, and Reserve**
- C. General, Administrative, and Special**
- D. Income, Expense, and Equity**

Fund reporting is about organizing resources into separate funds to track their use and any restrictions. The three categories that fit this approach are Operating funds, Reserve funds, and Special funds. Operating funds cover day-to-day activities and ongoing operations, reflecting the regular revenue and expenditures of the entity. Reserve funds are set aside to provide financial cushion for emergencies or future needs, helping maintain liquidity and stability. Special funds are designated for restricted purposes—programs or activities mandated by laws, grants, or donor restrictions—so spending stays within those defined intents. Other options describe more specific fund types or different financial statement elements (for example, a debt service fund is a specific type of fund rather than a broad category; administrative is not a fund category; income/expense/equity are statement items rather than fund classifications). Thus, operating, reserve, and special funds best match the fund reporting method.

2. Major improvement expenses are defined as which type of costs?

- A. Items not necessarily required but added to improve welfare, safety, or life, or to enhance resale value.**
- B. Regular maintenance costs.**
- C. Insurance premiums for residents.**
- D. Routine administrative expenses.**

Major improvement expenses are capital expenditures. They're costs that go beyond ordinary upkeep and either improve welfare, safety, or life, or boost the asset's resale value. Because these expenditures extend the asset's useful life or enhance its value, they're capitalized on the balance sheet and depreciated over time rather than being expensed immediately. Regular maintenance costs, in contrast, keep the asset in normal working condition and are expensed as incurred. Insurance premiums and routine administrative expenses are operating expenses and do not add to the asset's value or life, so they're also expensed in the period incurred. So the description that fits major improvements is the one that defines them as expenses not strictly required for daily operation but added to improve welfare, safety, or life, or to enhance resale value.

3. FHLMC is an acronym used in financing discussions. What does it stand for?

- A. Federal Home Loan Mortgage Corporation**
- B. Federal Housing Loan Mortgage Company**
- C. Federal Home Loan Market Corporation**
- D. Federal Home Loan Mortgage Association**

FHLMC is a well-known name in housing finance, and recognizing its exact expansion helps you quickly identify the institution in discussions. It stands for Federal Home Loan Mortgage Corporation. The word order reflects its purpose and status: “Federal” signals government-related backing, “Home Loan” points to mortgages for residential properties, and “Mortgage Corporation” is the formal entity type. The other phrasings differ by a word (Housing versus Home) or by the type of entity (Company or Association instead of Corporation), so they don’t match the official name. Freddie Mac, the common name for this entity, was created to support the mortgage market by purchasing mortgages from lenders and securitizing them, which improves liquidity and stability in housing finance.

4. What is the minimum denomination for Treasury bills?

- A. \$10,000**
- B. \$1,000**
- C. \$5,000**
- D. \$50,000**

Denomination is the smallest face value at which a Treasury bill is issued. For Treasury bills, the official minimum issuance is ten thousand dollars, so the smallest single investment in a standard T-bill issue is ten thousand. This setup reflects how these instruments are primarily targeted at institutional investors and kept in larger lot sizes to streamline auction and settlement processes. While larger denominations exist, and investors can hold multiple bills to reach a desired total, the minimum unit you can purchase in a standard T-bill issuance is ten thousand. Hence, ten thousand is the correct choice.

5. What does FHA stand for in the context of community associations?

- A. Federal Housing Administration**
- B. Federal Housing Authority**
- C. Federal Home Administration**
- D. Federal Housing Agency**

In real estate financing, the acronym FHA refers to a federal agency that backs mortgage loans. Federal Housing Administration is the official name, and it’s part of HUD. In community associations, this matters because a condo or planned unit development can be FHA-approved, allowing buyers to use FHA-insured loans. That approval broadens the pool of potential buyers and can affect financing, resale, and overall marketability of units. The other phrases are common mix-ups, but the correct expansion uses Administration, not Authority, Agency, or Home.

6. The phrase component inventory is associated with which budgeting concept?

- A. Full funding**
- B. Historical trend budgeting**
- C. Operating budget**
- D. Major improvement expenses**

The phrase component inventory aligns with the idea of funding every part of a program in full. When a budgeting approach aims for full funding, it funds all essential elements of a program, not just a subset or amounts guided by past spending. A component inventory lists each piece or element necessary to operate the program and the cost for each, making it clear that the total budget should cover all components. This helps prevent underfunding of any part and supports a comprehensive, line-by-line justification of the total resources required. Historically driven budgeting relies on past spending levels rather than enumerating every program element to be funded; an operating budget focuses on ongoing day-to-day costs rather than guaranteeing full coverage of all components; and major improvement expenses concern capital upgrades rather than detailing routine components needed for ongoing operations.

7. When a Treasury note or bond matures, the buyer receives the full face value. True or False?

- A. True**
- B. False**
- C. Only for notes**
- D. Only for bonds**

At maturity, the investor is repaid the face (par) value of the security. For a standard Treasury note or bond, the principal is fixed and paid back when it matures, while the coupon payments are separate interest that's paid periodically over the life of the instrument. You can buy the security for more or less than its par value, but you still receive the par value at maturity, with any gain or loss from the price difference realized through the coupons plus the principal repayment.

8. Which of the following are examples of investments as defined in the material?

- A. Real estate and collectibles only
- B. Savings accounts, certificates of deposit, U.S. Treasury securities and stocks**
- C. Cash kept under the mattress
- D. Loans to relatives

In personal finance, an investment is an asset purchased with the expectation of earning a return, such as interest, dividends, or price appreciation, and it usually involves some risk. The best choice lists savings accounts, certificates of deposit, U.S. Treasury securities, and stocks—all classic forms of investments because they are expected to generate a return over time: savings accounts and CDs pay interest, Treasuries provide interest with principal repayment, and stocks offer potential for dividends and capital gains. The other options don't fit as well. Cash kept under the mattress doesn't earn any return, so it isn't an investment. Real estate and collectibles can be investments in some contexts but are not as universally aligned with the standard examples given (and collectibles are typically riskier and less liquid). Loans to relatives are personal lending rather than a typical investment category in this material.

9. Which of the following best describes liabilities in financial reporting?

- A. Obligations owed to others or amounts collected in advance.**
- B. Resources owned by the entity.
- C. Future revenues expected to be earned.
- D. Distributions to owners.

Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to require an outflow of resources. The option describing obligations owed to others or amounts collected in advance fits this idea because it covers both payables (obligations to others) and deferred revenue (cash received before delivering goods or services). Examples include accounts payable, loans payable, and deferred revenue. The other descriptions point to different concepts: resources owned by the entity are assets, not liabilities; future revenues to be earned aren't present obligations; and distributions to owners affect equity, not liabilities.

10. Treasury notes and bonds are issued in denominations of?

- A. From \$1,000 to \$100,000**
- B. From \$500 to \$50,000
- C. From \$100 to \$1,000
- D. From \$10,000 to \$1,000,000

Denomination is the face value of the security at issue and the amount used to calculate coupon payments. For Treasury notes and bonds, the standard issue size is \$1,000, and they are sold in blocks that are multiples of that amount. In practice, buyers often transact in \$1,000 lots, and institutional purchasers can deal in larger blocks up to about \$100,000 for a single transaction. That combination is why the common range you see stated is from \$1,000 to \$100,000. The coupon payments and the price you see in quotations are based on that par value, so knowing the denomination tells you how much money you're actually investing and what cash flows to expect.

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://financialmgmtdomain.examzify.com>

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

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