

Personal Finance Basics

Practice Test (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,

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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. 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!

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Questions

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- 1. What is subtracted from your ending balance to reconcile your account accurately?**
 - A. Monthly fees**
 - B. Deposited amounts**
 - C. Outstanding checks**
 - D. Pending transactions**

- 2. When researching banks, what should you focus on?**
 - A. Interest rates for loans**
 - B. Personal priorities and conveniences**
 - C. Availability of ATMs**
 - D. Bank branch locations**

- 3. What do banks typically charge on loans they offer?**
 - A. Fees**
 - B. Commissions**
 - C. Interest**
 - D. Minimum balances**

- 4. What is commonly a higher requirement when opening accounts with a brokerage firm?**
 - A. Minimum deposit**
 - B. Monthly fees**
 - C. Withdrawal limits**
 - D. Investment options**

- 5. After confirming everything is correct in the reconciliation process, what should you do with your checked items?**
 - A. Store them in a drawer**
 - B. Shred them**
 - C. File them under taxes**
 - D. Give them to your accountant**

6. How do credit unions differ from commercial banks in terms of operation?

- A. They operate for profit**
- B. They operate as a nonprofit organization**
- C. They have more branches**
- D. They offer higher interest rates**

7. What can you elect to have instead of receiving a printed check?

- A. Paperless transactions**
- B. Direct deposit**
- C. Wire transfer**
- D. Bank draft**

8. What is charged at a higher rate when withdrawing cash from an ATM using a credit card?

- A. Overdraft fees**
- B. Annual fees**
- C. Cash withdrawal fees**
- D. Service charges**

9. What document can be shredded after completing the reconciliation process?

- A. Your tax return**
- B. Your credit report**
- C. Your receipts**
- D. Your insurance policy**

10. What type of purchases can deciding what is important to you help avoid?

- A. Essential and important**
- B. Impulsive and compulsive**
- C. Reasonable and thoughtful**
- D. Discount and clearance**

Answers

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

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Explanations

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1. What is subtracted from your ending balance to reconcile your account accurately?

- A. Monthly fees
- B. Deposited amounts
- C. Outstanding checks**
- D. Pending transactions

To reconcile your account accurately, it is essential to account for all amounts that have been written but not yet processed by the bank, which includes outstanding checks. When you write a check, the amount is deducted from your balance in your accounting records immediately, but the bank may not process it until a later date. Therefore, to reflect the true available balance, you subtract any outstanding checks from your ending balance. This ensures that the balance accurately reflects only the transactions that have cleared the bank and does not overstate the available funds. Monthly fees should already be accounted for in your ending balance, as they are already deducted from your account by the bank. Deposited amounts would increase your balance, not be subtracted during reconciliation. Pending transactions are those that have been initiated but may not yet be cleared, similar to outstanding checks, but they typically include deposits rather than payments made. Hence, outstanding checks are specifically what you need to subtract to reconcile your account properly.

2. When researching banks, what should you focus on?

- A. Interest rates for loans
- B. Personal priorities and conveniences**
- C. Availability of ATMs
- D. Bank branch locations

Focusing on personal priorities and conveniences when researching banks is essential because your selection of a banking institution should align with your individual needs and lifestyle. Whether it's the level of customer service, the types of accounts offered, digital banking capabilities, or fees associated with different services, understanding what matters most to you will guide you in choosing a bank that fits your day-to-day financial activities. For example, if you prioritize online banking services, a bank with a robust mobile app and online capabilities would be more appealing. Alternatively, if customer service is a priority, a bank known for its excellent support could be more important. Ultimately, personal priorities create a framework for assessing how well a bank will serve your unique financial situation.

3. What do banks typically charge on loans they offer?

- A. Fees**
- B. Commissions**
- C. Interest**
- D. Minimum balances**

Banks typically charge interest on loans they offer, which is the cost of borrowing money. Interest is expressed as a percentage of the loan amount and is calculated over a specific period. When you take out a loan, you agree to repay the principal amount borrowed plus interest, making it a fundamental aspect of lending practices. The interest rate can vary based on factors such as the borrower's creditworthiness, the type of loan, and current market conditions. While banks may also charge fees for various services (like application fees or late payment fees) or require minimum balances for certain accounts, those are not the primary cost associated with loans. Commissions are generally related to brokerage services or financial advising and are not applicable to loans, making interest the most relevant and direct charge when discussing loans.

4. What is commonly a higher requirement when opening accounts with a brokerage firm?

- A. Minimum deposit**
- B. Monthly fees**
- C. Withdrawal limits**
- D. Investment options**

When opening accounts with a brokerage firm, the minimum deposit is often a higher requirement compared to the other factors listed. Brokerage firms typically require investors to fund their accounts with a specified amount before they can start trading. This minimum deposit ensures that individuals have a certain level of investment commitment and helps the firm manage its client accounts effectively. In contrast, while there may be monthly fees associated with some brokerage accounts, these fees can vary widely and do not typically involve a substantial initial commitment like a minimum deposit. Similarly, withdrawal limits are usually set by the brokerage for transaction processing, but they are not a barrier to entry like a minimum deposit requirement. Investment options vary across brokerage accounts but do not impose an upfront financial requirement for opening an account. Therefore, the minimum deposit stands out as a key entry requirement when setting up accounts with brokerage firms.

5. After confirming everything is correct in the reconciliation process, what should you do with your checked items?

- A. Store them in a drawer**
- B. Shred them**
- C. File them under taxes**
- D. Give them to your accountant**

Once you have confirmed that everything is correct in the reconciliation process, the appropriate action for your checked items is to shred them. This is important for a few key reasons. First, shredded documents help protect your personal information and financial data from identity theft. Keeping financial documents with sensitive information can pose a risk if they are not stored securely. Shredding ensures that any account numbers, bank details, or personal identifiers are rendered unusable by potential fraudsters. Second, many financial institutions recommend destroying your old records after a certain period, especially once you have verified the accuracy of your accounts and no longer need the paperwork for reference. By shredding unnecessary documents, you also reduce clutter and maintain an organized financial system. In terms of the other options, storing items in a drawer may keep them safe temporarily, but it does not address the risk of potential data breaches. Filing under taxes typically applies to documents that you need to keep for future reference, which is not the case for items that have already been reconciled. Giving them to your accountant can be appropriate for certain documents but is not necessary when you have confirmed their accuracy and have no further use for them.

6. How do credit unions differ from commercial banks in terms of operation?

- A. They operate for profit**
- B. They operate as a nonprofit organization**
- C. They have more branches**
- D. They offer higher interest rates**

Credit unions operate as nonprofit organizations, which is a fundamental distinction from commercial banks that are typically for-profit entities. This nonprofit status means that credit unions are owned by their members rather than shareholders. The profits generated by credit unions are reinvested back into the services they provide for members, often resulting in lower fees and better interest rates on loans. Because credit unions prioritize the needs of their members over profit generation, they can create a more community-focused financial environment. Other choices don't align with the nonprofit nature of credit unions. For instance, while commercial banks aim to maximize profits, credit unions exist primarily to serve their members' financial interests. Furthermore, the number of branches and the interest rates offered can vary widely between individual credit unions and commercial banks, but this does not define their core operational differences. The emphasis on nonprofit operation underscores the member-oriented mission of credit unions.

7. What can you elect to have instead of receiving a printed check?

- A. Paperless transactions**
- B. Direct deposit**
- C. Wire transfer**
- D. Bank draft**

Opting for direct deposit instead of receiving a printed check is a common and efficient choice for managing payments. Direct deposit allows funds to be electronically transferred directly into your bank account, which eliminates the need for a physical check. This method is particularly advantageous because it provides immediate access to funds, enhances security by reducing the risk of checks being lost or stolen, and simplifies record-keeping since you can easily track deposits through bank statements. Other options, while related to financial transactions, do not directly replace the printed check in the same way that direct deposit does. Paperless transactions refer more broadly to a variety of electronic methods that replace traditional paper-based processes, but they aren't a specific mechanism for receiving deposits. Wire transfers involve sending money electronically from one bank account to another but are typically used for larger transactions rather than routine payments and may involve fees. A bank draft is a method of payment that is drawn on the bank's funds but still requires a physical document, making it less efficient than directly depositing funds into an account.

8. What is charged at a higher rate when withdrawing cash from an ATM using a credit card?

- A. Overdraft fees**
- B. Annual fees**
- C. Cash withdrawal fees**
- D. Service charges**

When withdrawing cash from an ATM using a credit card, a cash withdrawal fee is typically charged. This fee is specifically designed to compensate the credit card issuer for processing the transaction and to discourage users from treating their credit line like a regular bank account for cash withdrawals. The nature of the cash advance is such that it usually incurs immediate costs that differ from regular purchases. Not only is there the cash withdrawal fee, which is often a percentage of the amount withdrawn or a flat fee, but transactions like these also start accruing interest rates that are typically higher than those for regular charges. Additionally, there is often no grace period for cash advances, meaning that interest begins to accumulate right away. In contrast, options like overdraft fees and annual fees relate to standard bank account activities and the costs tied to maintaining a credit card or account, respectively, rather than the specific action of withdrawing cash through an ATM. Service charges can apply to various banking services, but they are not specifically tied to cash withdrawals using a credit card. Thus, cash withdrawal fees are the most relevant and applicable charge in this context when using a credit card at an ATM.

9. What document can be shredded after completing the reconciliation process?

- A. Your tax return
- B. Your credit report
- C. Your receipts**
- D. Your insurance policy

The correct choice is based on the nature of the reconciliation process, which typically involves comparing your bank statement with your personal financial records to ensure accuracy. After you have verified and matched your receipts during this process, they no longer serve a significant purpose for that transaction. Shredding receipts after completing reconciliation can help you maintain an organized financial system and protect against identity theft, as they often contain personal information. It's important to keep receipts only for significant purchases or those relevant for tax purposes, while routine or small expense receipts can be safely discarded once you have confirmed your financial standing through reconciliation. Tax returns, credit reports, and insurance policies contain critical information that may need to be referenced in the future for tax audits, financial decisions, or insurance claims, so it's advisable to retain those documents for a longer period. Keeping such documents intact helps ensure you have the necessary records for any potential financial inquiries or decisions down the line.

10. What type of purchases can deciding what is important to you help avoid?

- A. Essential and important
- B. Impulsive and compulsive**
- C. Reasonable and thoughtful
- D. Discount and clearance

Deciding what is important to you plays a significant role in avoiding impulsive and compulsive purchases. When you have a clear understanding of your values, priorities, and long-term goals, you are more likely to make conscious decisions regarding your spending. This clarity helps differentiate between what you truly need or value and what might simply be appealing in the moment. Impulsive purchases often occur when emotions drive decision-making without careful thought, leading to buying items that do not align with your priorities. Compulsive purchases, on the other hand, can stem from a variety of underlying factors, including habits and emotional states, where individuals may feel a compulsion to buy, regardless of their actual needs. By focusing on what is truly important to you, such as saving for a goal or investing in experiences rather than material goods, you can create a buffer against the allure of these impulsive and compulsive buying behaviors. This thoughtful approach to personal finance fosters more deliberate and meaningful purchasing patterns, ultimately leading to greater financial stability and satisfaction.

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://personalfinbasics.examzify.com>

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

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