

# Personal Finance Module 3

## DBA 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 a potential benefit of Congress increasing spending during a recession?**
  - A. Reducing inflation**
  - B. Encouraging business closures**
  - C. Boosting job creation**
  - D. Decreasing disposable income**
- 2. What fundamental goal underlies Congress's use of contractionary fiscal policies?**
  - A. To stimulate market growth**
  - B. To control inflation**
  - C. To decrease tax revenues**
  - D. To create jobs**
- 3. What is the primary purpose of a credit report?**
  - A. To evaluate a person's ability to obtain new credit**
  - B. To provide insights on investment portfolios**
  - C. To track personal expenditures**
  - D. To show retirement savings**
- 4. What is defined as income received by the government?**
  - A. Revenue**
  - B. Expenditure**
  - C. Profit**
  - D. Surplus**
- 5. What is the purpose of life insurance?**
  - A. To cover healthcare expenses during retirement.**
  - B. To provide financial support to beneficiaries after the insured individual's death.**
  - C. To assure a loan approval from a bank.**
  - D. To pay for education expenses.**

**6. What is the primary function of the Office of the Comptroller of the Currency?**

- A. To create financial regulations for all businesses**
- B. To protect national bank customers and ensure compliance with consumer laws**
- C. To manage the United States' monetary policy**
- D. To oversee the Federal Reserve's actions**

**7. What is interest defined as?**

- A. The benefit received from saving money**
- B. The cost of borrowing money**
- C. The return on investments**
- D. The fee for using a checking account**

**8. What characterizes an adjustable rate mortgage (ARM)?**

- A. The interest rate changes periodically**
- B. The interest rate is always higher than a fixed rate mortgage**
- C. The initial rate remains the same for the entire loan term**
- D. The monthly payment never changes**

**9. What makes a financial decision sound?**

- A. It is based on quick intuition without data**
- B. It is made based on incomplete information**
- C. It is made after careful consideration of risks and outcomes**
- D. It relies solely on advice from friends**

**10. What does the Fair Credit Reporting Act require credit card companies to do if incorrect information is found?**

- A. Notify consumers only if they request it**
- B. Fix erroneous data and inform affected consumers**
- C. Maintain inaccurate reports for auditing purposes**
- D. Charge fees for correcting information**

## **Answers**

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

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## **Explanations**

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**1. What is a potential benefit of Congress increasing spending during a recession?**

- A. Reducing inflation**
- B. Encouraging business closures**
- C. Boosting job creation**
- D. Decreasing disposable income**

Increasing government spending during a recession is a strategic approach to stimulate economic activity. When Congress injects funds into the economy, it can lead to the creation of jobs and support businesses that might otherwise struggle. This boost in spending can help fund infrastructure projects, education, healthcare, and more, which not only creates jobs directly in those sectors but also has a multiplier effect throughout the economy. As people gain employment, they earn income, which they can spend on goods and services, further stimulating demand and contributing to economic recovery. This positive dynamic is particularly important during a recession, when private sector demand is typically low and businesses may be reluctant to invest or hire.

**2. What fundamental goal underlies Congress's use of contractionary fiscal policies?**

- A. To stimulate market growth**
- B. To control inflation**
- C. To decrease tax revenues**
- D. To create jobs**

The fundamental goal of Congress's use of contractionary fiscal policies is to control inflation. When the economy is growing too quickly, it can lead to increased consumer demand and rising prices, resulting in inflation. To combat this, Congress may implement contractionary fiscal policies such as reducing government spending or increasing taxes. These measures aim to decrease the amount of money circulating in the economy, ultimately helping to stabilize prices and curtail inflationary pressures. Contractionary policies are particularly important in times when inflation rates are high, as unchecked inflation can erode purchasing power and create uncertainty in the economy. By targeting inflation through these fiscal strategies, Congress seeks to promote long-term economic stability.

### 3. What is the primary purpose of a credit report?

- A. To evaluate a person's ability to obtain new credit**
- B. To provide insights on investment portfolios**
- C. To track personal expenditures**
- D. To show retirement savings**

The primary purpose of a credit report is to evaluate a person's ability to obtain new credit. This document compiles a detailed history of an individual's credit activities, including their borrowing and repayment patterns, amounts owed, credit inquiries, and length of credit accounts. Lenders, such as banks or credit card companies, utilize this information to assess the creditworthiness of a potential borrower, which is essentially an evaluation of their likelihood to repay the borrowed amount. A strong credit report with positive indicators reflects a responsible borrowing history, which increases the chances of obtaining new credit, while a report with negative marks may lead to denial or higher interest rates. The other options relate to financial aspects but do not pertain to the primary function of a credit report. For instance, investment portfolios are assessed through different financial statements and reports, while personal expenditures are usually tracked by budgeting tools rather than a credit report. Retirement savings, on the other hand, are managed through specific accounts and financial planning tools that are not reflected in a credit report. Therefore, option A accurately encompasses the fundamental role of a credit report in personal finance.

### 4. What is defined as income received by the government?

- A. Revenue**
- B. Expenditure**
- C. Profit**
- D. Surplus**

Revenue is the term utilized to describe the income that is received by the government from various sources, including taxes, fees, and other forms of income. This is crucial for understanding how governmental bodies fund their operations, programs, and services. Revenue serves as the backbone of public finance, allowing governments at all levels to allocate funds for infrastructure, education, healthcare, and other essential services. The other terms hold different meanings within the financial context. Expenditure refers to the amount of money that the government spends, often on goods and services, which is essential for understanding budgetary balance. Profit typically relates to the income earned by businesses after expenses are deducted, not applicable to government accounting. Surplus indicates that the income exceeds expenditures within a budget, but it does not define the source of income itself. Understanding these distinctions contributes to a clearer view of public finance and governmental operations.

## 5. What is the purpose of life insurance?

- A. To cover healthcare expenses during retirement.
- B. To provide financial support to beneficiaries after the insured individual's death.**
- C. To assure a loan approval from a bank.
- D. To pay for education expenses.

The main purpose of life insurance is to offer financial support to beneficiaries following the death of the insured individual. This financial support can help cover various expenses, such as funeral costs, outstanding debts, and ongoing living expenses for dependents. By providing a death benefit, life insurance ensures that loved ones are not left in a difficult financial situation and can maintain their quality of life after the loss. Other options, though they may seem relevant in certain contexts, do not accurately represent the core function of life insurance. For example, while it might help cover certain education expenses, education funding is not its primary purpose. Similarly, life insurance does not directly cover healthcare costs during retirement or guarantee loan approvals, as those areas are typically addressed through other financial products and strategies. The focus remains on supporting beneficiaries financially upon the death of the policyholder, which is why the chosen answer effectively captures the essence of life insurance.

## 6. What is the primary function of the Office of the Comptroller of the Currency?

- A. To create financial regulations for all businesses
- B. To protect national bank customers and ensure compliance with consumer laws**
- C. To manage the United States' monetary policy
- D. To oversee the Federal Reserve's actions

The primary function of the Office of the Comptroller of the Currency (OCC) is to protect national bank customers and ensure compliance with consumer laws. This federal agency is responsible for chartering, regulating, and supervising all national banks and federal savings associations. Its role includes ensuring that these institutions operate safely and soundly while also enforcing compliance with various consumer protection laws that help safeguard customers' rights. The OCC monitors banks to ensure they provide fair access to financial services and practices, promoting transparency and accountability. The agency also plays a critical role in protecting consumers from unfair, deceptive, or abusive practices within the banking sector. By maintaining these oversight functions, the OCC helps foster trust in the banking system and ensures the financial health of consumers using these institutions. Other options do not accurately reflect the primary responsibilities of the OCC. For instance, creating financial regulations for all businesses is a broader function typically associated with multiple regulatory agencies, not just the OCC. Managing the United States' monetary policy is primarily the role of the Federal Reserve, while overseeing the Federal Reserve's actions is also outside the specific mandate of the OCC.

## 7. What is interest defined as?

- A. The benefit received from saving money**
- B. The cost of borrowing money**
- C. The return on investments**
- D. The fee for using a checking account**

Interest is fundamentally defined as the cost of borrowing money. When individuals or businesses take a loan from a bank or financial institution, they agree to pay back the amount borrowed plus an additional amount, which is the interest. This interest compensates the lender for the risk they take in providing the funds and for the opportunity cost of not being able to use that money for other investments during the loan period. When money is borrowed, the borrower typically repays a principal amount along with interest as part of the repayment terms. The interest rate can vary based on various factors, including creditworthiness, the type of loan, and prevailing economic conditions, reflecting how much the lender charges for the loaned money. While options discussing the benefits of saving, returns on investment, and fees for checking accounts are relevant to the financial landscape, they do not capture the essential nature of interest in the context of borrowing. Understanding interest is crucial for navigating loans, mortgages, and credit effectively.

## 8. What characterizes an adjustable rate mortgage (ARM)?

- A. The interest rate changes periodically**
- B. The interest rate is always higher than a fixed rate mortgage**
- C. The initial rate remains the same for the entire loan term**
- D. The monthly payment never changes**

An adjustable rate mortgage (ARM) is characterized by the fact that the interest rate changes periodically. This means that the interest rate on the loan is typically tied to a specific index and can fluctuate at set intervals, such as annually or every few years. This feature can lead to lower initial payments when compared to a fixed-rate mortgage, as the starting rate may be lower, but it can also result in higher payments later if interest rates rise. In contrast, other options do not accurately reflect the nature of an ARM. For instance, while the initial rate may sometimes be lower than a fixed rate mortgage, it is not guaranteed to always be higher (as suggested in the option about the interest rates). Furthermore, an ARM cannot have an interest rate that remains the same for the entirety of the loan term, as that would define it more like a fixed-rate mortgage. Lastly, the monthly payment for an ARM can vary depending on the interest rate adjustments, and thus the payment does not remain unchanged throughout the loan.

## 9. What makes a financial decision sound?

- A. It is based on quick intuition without data
- B. It is made based on incomplete information
- C. It is made after careful consideration of risks and outcomes**
- D. It relies solely on advice from friends

A sound financial decision is one that has been made through careful analysis and consideration of the potential risks and outcomes involved. This approach not only takes into account the current situation but also anticipates the future implications of the decision. By evaluating various scenarios and understanding the potential impact on one's finances, an individual can make informed choices that are more likely to align with their financial goals. While intuition, incomplete information, or reliance on friends' advice can sometimes play a role in decision-making, these methods lack the rigor and reliability necessary for sound financial judgment. Making decisions solely on quick intuition or without complete information increases the risk of unforeseen negative consequences. Similarly, depending exclusively on others' opinions may not consider one's unique financial situation, leading to decisions that do not serve the individual's best interests. Thus, thorough analysis and consideration are crucial for sound financial decision-making.

## 10. What does the Fair Credit Reporting Act require credit card companies to do if incorrect information is found?

- A. Notify consumers only if they request it
- B. Fix erroneous data and inform affected consumers**
- C. Maintain inaccurate reports for auditing purposes
- D. Charge fees for correcting information

The Fair Credit Reporting Act (FCRA) is designed to promote accuracy, fairness, and privacy of consumer information contained in the files of consumer reporting agencies. When it comes to incorrect information, the FCRA mandates that credit card companies, as well as other entities, must take action to rectify any inaccuracies that are brought to their attention. If a consumer reports an error, the credit card company is obligated to investigate the claim. If the investigation confirms that the information is indeed incorrect, they are required to fix it and inform the affected consumers of the correction. This ensures that consumers have access to accurate information about their credit history, which is vital for making informed financial decisions and maintaining their creditworthiness. The requirement to inform consumers helps to maintain transparency and trust in the credit reporting system. The other options do not align with the requirements set forth by the FCRA. For instance, simply notifying consumers only upon request or maintaining inaccurate reports for auditing purposes would not serve to protect consumer rights and could perpetuate misinformation. Charging fees for correcting errors contradicts the principles of fairness and accessibility that the FCRA aims to uphold. Thus, the obligation to fix erroneous data and notify consumers is a key component of the FCRA's focus on accuracy and integrity in credit

# 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](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://personalfinmod3dba.examzify.com>**

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

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