

# University of Central Florida (UCF) FIN2100 Personal Finance and Investments Final Practice Exam (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 the purpose of a credit report?**
  - A. To track savings account balances**
  - B. To evaluate creditworthiness based on credit history**
  - C. To assess employment status**
  - D. To show income tax returns**
- 2. What is the total gain and annual return on JNJ stock if an investor bought it at \$28.50 per share and sold it at \$38 after two years?**
  - A. \$3800, 15% annual return**
  - B. \$2850, 10% annual return**
  - C. \$1,298 gain, 20% annual return**
  - D. \$none of the above**
- 3. What is the significance of the time value of money in personal finance?**
  - A. Money today can be worth less than in the future**
  - B. Money can lose value due to inflation over time**
  - C. Money today has earning potential**
  - D. Both B and C are correct**
- 4. What is one advantage of investing in mutual funds?**
  - A. Guaranteed returns**
  - B. Diversification of investment**
  - C. Lower management fees**
  - D. No risk of loss**
- 5. What can result from not having an emergency fund?**
  - A. Increased savings**
  - B. Dependence on high-interest loans or credit cards**
  - C. A positive credit score**
  - D. Ability to invest easily**

**6. What is the purpose of a financial plan?**

- A. To speculate on stock market gains**
- B. To evaluate an individual's past financial performance**
- C. To outline steps to achieve financial goals**
- D. To recommend specific investment products**

**7. Which of the following is least likely to be included in a personal finance budget?**

- A. Savings**
- B. Rent or Mortgage Payments**
- C. Grocery Expenses**
- D. Luxury purchases**

**8. What are payments made to a fund's shareholders that result from the sales of securities in the fund's portfolio?**

- A. A. capital losses distributions**
- B. B. capital gains distributions**
- C. C. shareholder loss distributions**
- D. D. shareholder gains distributions**

**9. What is a retirement account?**

- A. A financial account designed for saving for retirement**
- B. A type of savings account without tax advantages**
- C. An investment vehicle limited to stocks only**
- D. A short-term savings account**

**10. How does a budget surplus differ from a budget deficit?**

- A. A budget surplus occurs when income exceeds expenses; a deficit occurs when expenses exceed income**
- B. Both terms mean the same thing**
- C. A surplus indicates debt while a deficit means savings**
- D. A budget surplus is only possible for governments**

## **Answers**

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

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## **Explanations**

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## 1. What is the purpose of a credit report?

- A. To track savings account balances
- B. To evaluate creditworthiness based on credit history**
- C. To assess employment status
- D. To show income tax returns

The purpose of a credit report primarily centers around evaluating an individual's creditworthiness based on their credit history. A credit report contains detailed information about a person's borrowing and repayment activities, including credit accounts, payment history, outstanding debts, and any public records like bankruptcies or liens. This information helps lenders determine the risk involved in lending money or extending credit to that person. The better one's credit history, reflected in a credit report, the more likely they are to receive favorable terms on loans, credit cards, and other financial products. Tracking savings account balances, assessing employment status, and showing income tax returns are functions that do not relate to the role a credit report plays in providing insights into financial behavior and trustworthiness from a lender's perspective.

## 2. What is the total gain and annual return on JNJ stock if an investor bought it at \$28.50 per share and sold it at \$38 after two years?

- A. \$3800, 15% annual return
- B. \$2850, 10% annual return
- C. \$1,298 gain, 20% annual return**
- D. \$none of the above

To calculate the total gain and the annual return on the JNJ stock, it's essential to start with determining the total gain from the investment. The total gain is computed by subtracting the purchase price from the selling price and then multiplying that by the number of shares. Assuming the investor bought one share of JNJ stock at \$28.50 and sold it for \$38, the gain per share would be calculated as follows: Selling Price - Purchase Price = Gain per Share  $\$38 - \$28.50 = \$9.50$  If we consider an investment of one share, the total gain would simply be \$9.50. To get to the figure presented in option C, we need to analyze how this increase translates over the investment period. Next, the annual return can be calculated by determining the percentage increase in price and then annualizing that over the time holding the stock. 1. Calculate the total increase in value:  $\$9.50$  gain per share over a purchase price of  $\$28.50$  can be expressed as a percentage:  $\text{Gain Percentage} = (\text{Gain} / \text{Purchase Price}) \times 100$   $\text{Gain Percentage} = (\$9.50 / \$28.50) \times 100 \approx$

### 3. What is the significance of the time value of money in personal finance?

- A. Money today can be worth less than in the future
- B. Money can lose value due to inflation over time
- C. Money today has earning potential
- D. Both B and C are correct**

The significance of the time value of money (TVM) is best captured by understanding that money has the potential to earn interest and grow over time, and this potential can be affected by factors like inflation. If we consider the concept of earning potential, money that you possess today can be invested to generate additional income or returns. For example, if you invest \$1,000 today in a savings account or stock market, it could grow due to interest or dividend payments over time. This emphasizes that money is not just a static value; it can increase in worth if put to productive use. Inflation, on the other hand, plays a critical role as well. It erodes the purchasing power of money over time. If you hold cash without investing it, the amount may not be able to buy as much in the future due to rising prices. Understanding inflation's impact helps individuals make informed decisions about saving and investing strategies. Thus, acknowledging both inflation and earning potential reveals a comprehensive view of the time value of money. Therefore, the statement that both inflation can cause money to lose value and that money today has earning potential makes option D the most encompassing and correct choice regarding the significance of the time value of money in personal finance.

### 4. What is one advantage of investing in mutual funds?

- A. A. Guaranteed returns
- B. B. Diversification of investment**
- C. C. Lower management fees
- D. D. No risk of loss

Investing in mutual funds offers significant advantages, one of the most notable being diversification of investment. Diversification is a risk management strategy that mixes a wide variety of investments within a portfolio. By investing in a mutual fund, an investor can gain exposure to a broad array of stocks, bonds, or other securities, thereby spreading out risk. This means that if one investment performs poorly, it may be offset by the better performance of others within the fund, reducing the overall volatility of the portfolio. Mutual funds pool capital from multiple investors, which allows for the purchasing of a diverse selection of securities that an individual investor might not be able to buy on their own. This collective buying power enables the fund manager to create a more balanced investment portfolio. Hence, the diversification offered by mutual funds helps investors achieve balanced growth while minimizing the risks associated with putting all their money into a single security or asset class.

## 5. What can result from not having an emergency fund?

- A. Increased savings
- B. Dependence on high-interest loans or credit cards**
- C. A positive credit score
- D. Ability to invest easily

Not having an emergency fund can lead to dependence on high-interest loans or credit cards. An emergency fund serves as a financial safety net, allowing individuals to cover unforeseen expenses, such as medical emergencies, car repairs, or sudden job loss, without relying on debt. In situations where unexpected costs arise and individuals do not have savings to draw upon, they may resort to using credit cards or taking out loans to meet their financial obligations. This often results in accumulating high-interest debt, which can become difficult to manage and lead to a cycle of financial instability. Having an emergency fund helps avoid this scenario by providing immediate access to cash when needed, thus reducing the likelihood of turning to high-interest borrowing options.

## 6. What is the purpose of a financial plan?

- A. To speculate on stock market gains
- B. To evaluate an individual's past financial performance
- C. To outline steps to achieve financial goals**
- D. To recommend specific investment products

A financial plan serves to outline the necessary steps to achieve an individual's financial goals. It is a comprehensive strategy that assesses a person's current financial situation and sets forth actionable measures to reach desired outcomes, such as saving for retirement, purchasing a home, or funding education. By providing a clear roadmap, a financial plan helps individuals understand their income, expenses, assets, and liabilities while identifying what adjustments or strategies are needed to improve their financial well-being. This proactive approach encourages disciplined saving and investment practices aligned with long-term objectives, thereby promoting financial security and stability. While other options may touch on aspects of finance, they do not encapsulate the holistic nature and purpose of a financial plan as effectively. Speculating on stock market gains or recommending specific investment products may form part of the investment strategy within a financial plan, but they do not define the overall purpose. Evaluating past performance is useful for assessment but is not the primary aim of creating a comprehensive financial plan.

**7. Which of the following is least likely to be included in a personal finance budget?**

- A. Savings**
- B. Rent or Mortgage Payments**
- C. Grocery Expenses**
- D. Luxury purchases**

A personal finance budget typically encompasses essential expenditures and financial goals that contribute to one's overall financial health. While savings, rent or mortgage payments, and grocery expenses are foundational elements of a budget—reflecting necessary costs and financial obligations—luxury purchases are discretionary in nature. Luxury purchases are considered non-essential expenses that vary widely among individuals. They include items or services that are not critical for daily living or financial security. Since a budget aims to prioritize needs and responsibilities, such as housing and basic living expenses, luxury purchases are least likely to be included as they do not reflect a necessity but rather a desire for enhancements in lifestyle. This distinction helps individuals manage their finances effectively by focusing on what is essential before allocating funds toward discretionary spending.

**8. What are payments made to a fund's shareholders that result from the sales of securities in the fund's portfolio?**

- A. A. capital losses distributions**
- B. B. capital gains distributions**
- C. C. shareholder loss distributions**
- D. D. shareholder gains distributions**

The correct answer is capital gains distributions. These payments occur when a fund sells securities in its portfolio for a profit and then distributes that profit to its shareholders. In the context of mutual funds or investment funds, when the fund manager sells an asset at a higher price than its purchase price, the difference is termed a capital gain. When these gains are realized, the fund is required by tax regulations to distribute a portion of them to the shareholders, as they are ultimately the beneficiaries of the profits that the fund has generated. This is important for investors to understand, as these distributions can affect their taxable income, depending on their individual tax situation. In contrast, other options refer to different scenarios. Capital losses distributions would imply a return from losses, which is not applicable in this case of profit distribution. Shareholder loss distributions and shareholder gains distributions do not accurately reflect the terminology or process used in fund accounting and taxation. Thus, capital gains distributions is the specific term used for these payments from realized profits.

## 9. What is a retirement account?

- A. A financial account designed for saving for retirement**
- B. A type of savings account without tax advantages**
- C. An investment vehicle limited to stocks only**
- D. A short-term savings account**

A retirement account is specifically designed to help individuals save and invest for their retirement. These accounts often come with tax advantages that encourage long-term savings, such as tax-deferred growth or tax-free withdrawals in certain circumstances. By focusing on retirement, these accounts provide a structure that promotes disciplined saving and investing over an extended period, allowing individuals to build their wealth for when they are no longer earning an active income. Retirement accounts can include options like 401(k) plans, IRAs (Individual Retirement Accounts), and Roth IRAs, each of which offers different features regarding contributions, withdrawals, and tax implications. This emphasis on retirement savings is what differentiates them from regular savings accounts or other investment vehicles. Other options, such as the misconception about being a type of savings account without tax advantages, overlook the key benefits that retirement accounts provide. Additionally, suggesting that a retirement account is limited to stocks ignores the variety of investment choices available within these accounts, including bonds, mutual funds, and other assets. Finally, classifying it as a short-term savings account misrepresents the primary purpose of these accounts, which is to encourage long-term financial planning and security during retirement.

## 10. How does a budget surplus differ from a budget deficit?

- A. A budget surplus occurs when income exceeds expenses; a deficit occurs when expenses exceed income**
- B. Both terms mean the same thing**
- C. A surplus indicates debt while a deficit means savings**
- D. A budget surplus is only possible for governments**

A budget surplus occurs when income exceeds expenses, meaning that there is more money coming in than going out. This situation allows individuals, businesses, or governments to save money, invest in growth, pay down existing debt, or build up financial reserves. On the other hand, a budget deficit occurs when expenses exceed income, leading to a situation where expenditures surpass revenue. This typically results in borrowing or increased debt to cover the shortfall. Understanding this distinction is crucial in personal finance, as it highlights the importance of managing expenses relative to income. If someone consistently operates at a budget deficit, it can lead to financial instability and accumulated debt. In contrast, maintaining a budget surplus is a sign of good financial health and responsible management of finances. The other options either misinterpret these fundamental concepts or make incorrect associations. For example, suggesting that both terms mean the same thing overlooks their definitions, while implying that a surplus indicates debt and a deficit means savings is fundamentally incorrect. Lastly, stating that a budget surplus is only possible for governments does not acknowledge that individuals and businesses can also achieve budget surpluses.

# 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://ucf-fin2100-final.examzify.com>**

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

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