UNIVERSITY OF CENTRAL FLORIDA (UCF) FIN2100 PERSONAL FINANCE AND INVESTMENTS MIDTERM 2 PRACTICE EXAM (SAMPLE)

STUDY GUIDE

Table of Contents

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. Which is a disadvantage associated with home buying?

A. Limited mobility

B. No financial obligations

C. Lower living costs

D. Tax benefits

2. What financial return is considered fair for the bonds based on their risk?

A. 3%

B. 4%

C. 5%

D. 6%

3. What is defined as "peril" in insurance terminology?

A. The cause of a possible loss

B. The specific term for insurable risks

C. A financial strategy for managing risks

D. The likelihood of risk occurring

4. What year was Medicaid established under federal law?

A. 1975

B. 1965

C. 1980

D. 1990

5. What does vicarious liability mean?

A. A situation in which a person is solely responsible for actions

B. A situation where one is liable for their own actions only

C. A situation in which a person is held legally responsible for the actions of another person

D. A form of group liability

6. What type of costs are included in closing costs?

A. Repair costs

B. Fees for inspection

C. All fees paid at the completion of a real estate transaction

D. Only taxes associated with the purchase

7. **What happens to part of the premium in a policy refund?**

A. It is transferred to savings
B. It is invested in stocks
C. It is refunded to the policyholders
D. It is forfeited to the insurance company

8. **What does renting typically not provide compared to owning?**

A. Security deposits
B. Financial benefits
C. Maintenance responsibilities
D. Lower costs

9. **In personal finance, what does the term "dividend" refer to?**

A. A share of profit distributed to shareholders
B. A type of debt financing
C. A capital gain on stocks
D. An investment in company assets

10. **If a stock has a quarterly dividend of $.50 and a stock price of $100, what is the current dividend yield?**

A. 1%
B. 2%
C. 3%
D. 4%

Answers

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

Explanations

1. Which is a disadvantage associated with home buying?

A. Limited mobility

B. No financial obligations

C. Lower living costs

D. Tax benefits

Home buying does indeed have the disadvantage of limited mobility. When individuals purchase a home, they often tie themselves to a particular location, making it more challenging to relocate for job opportunities, lifestyle changes, or personal reasons. This can be especially restrictive for those who may need to move for career advancements or family obligations. In contrast, renting generally allows for greater flexibility, enabling individuals to move more easily without the responsibilities tied to homeownership, such as selling a property or dealing with fluctuating real estate markets. The financial obligations of homeownership, such as mortgage payments, property taxes, and maintenance costs, can also make it less appealing for those who anticipate needing to move frequently. The other options highlight advantages rather than disadvantages. For example, owning a home typically comes with financial obligations and potential costs that can exceed those of renting. Lower living costs are often associated with renting or living in certain areas rather than owning a home, and tax benefits are commonly seen as a reason to buy rather than a disadvantage. Thus, the limited mobility tied to homeownership is a significant consideration for potential buyers.

2. What financial return is considered fair for the bonds based on their risk?

A. 3%

B. 4%

C. 5%

D. 6%

A fair financial return on bonds is typically determined by considering the associated risk of the bonds, which is reflected in the yield or interest rate that investors require to compensate them for that risk. Bonds with higher risks, such as those issued by companies with lower credit ratings or those with longer maturities, generally offer higher returns to entice investors who might be concerned about potential defaults or interest rate fluctuations. In this context, if the selected answer is viewed as 4%, it suggests that this return reflects an appropriate balance between the risk associated with the bonds in question and the need for a competitive yield. It indicates that investors expect a return that compensates them adequately for the specific risks they are taking without being excessively high. Other options indicate yields that may be interpreted as too low or too high relative to the risk profile of the bonds. A return of 3% may be seen as insufficient compensation for taking on the risk of the bonds, particularly in environments where inflation or interest rates rise. Conversely, yields of 5% or 6% might suggest an increase in risk that may not correspond to the actual risk presented by these bonds if considered low to moderate risk. Thus, a return of 4% can be understood as a fair market return for bonds

3. What is defined as "peril" in insurance terminology?

- A. The cause of a possible loss
- B. The specific term for insurable risks
- C. A financial strategy for managing risks
- D. The likelihood of risk occurring

In insurance terminology, "peril" refers to the cause of a possible loss. This means that it encompasses any event or circumstance that can lead to damage or loss of property, resulting in a claim against an insurance policy. Examples of perils include natural disasters like floods or earthquakes, as well as human-caused events like theft or vandalism. Understanding what a peril is essential for grasping how insurance works, as policies are designed to cover specific perils. When individuals or businesses purchase insurance, they are generally seeking protection against defined perils that could result in financial loss. This is why recognizing perils is a fundamental concept in risk management and insurance underwriting. The other concepts mentioned in the choices involve different aspects of insurance and risk. Insurable risks would include risks that meet specific criteria for insurance coverage but do not define what a peril is. A financial strategy for managing risks pertains to the broader concepts of risk management and investment strategy rather than the term "peril" itself. Lastly, the likelihood of risk occurring addresses the probability aspect of risk management, which, while relevant, does not capture the definition of "peril."

4. What year was Medicaid established under federal law?

- A. 1975
- B. 1965
- C. 1980
- D. 1990

Medicaid was established under federal law in 1965 as part of the Social Security Amendments. This program was created to provide healthcare coverage for low-income individuals and families, and it aimed to improve access to vital medical services for those who could not afford them. By establishing Medicaid in the mid-1960s, the U.S. government recognized the growing need for healthcare support for vulnerable populations, particularly the elderly, disabled, and poor families with children. It marked a significant step in the expansion of social welfare programs in the United States, complementing Medicare, which was introduced at the same time to provide health coverage for the elderly. The other years listed are not associated with the establishment of Medicaid; they do not reflect the timeline of important legislation related to this healthcare program.

5. What does vicarious liability mean?

A. A situation in which a person is solely responsible for actions

B. A situation where one is liable for their own actions only

C. A situation in which a person is held legally responsible for the actions of another person

D. A form of group liability

Vicarious liability refers to a legal doctrine where one person is held liable for the negligent actions of another person. This typically occurs in scenarios where there is a significant relationship, such as between an employer and an employee. The principle is based on the idea that the party with greater control or authority (like an employer) should be responsible for the actions that take place during the course of employment or within the scope of their duties. Therefore, if the employee commits a wrongful act while performing their job, the employer can be held liable for those actions. This concept is particularly important in tort law and provides a means for injured parties to seek compensation from a party that may have more financial resources than the individual who actually caused the harm. Understanding vicarious liability is crucial in personal finance and investments, as it influences the risk assessment of business operations and the potential financial responsibilities of individuals and organizations.

6. What type of costs are included in closing costs?

A. Repair costs

B. Fees for inspection

C. All fees paid at the completion of a real estate transaction

D. Only taxes associated with the purchase

Closing costs encompass a variety of fees and expenses that are incurred during the completion of a real estate transaction. These costs typically include things like loan origination fees, title insurance, appraisal fees, attorney fees, and recording fees, among others. The comprehensive nature of closing costs means that they represent all fees paid at the conclusion of the sale, which covers various services required to finalize the property purchase. This understanding is crucial because it highlights that closing costs are not limited to one specific type of fee, like repair costs, inspection fees, or just taxes. Instead, they represent a complete package of financial obligations that both the buyer and seller may need to address to ensure a smooth transfer of ownership. This knowledge is essential for anyone involved in real estate transactions to prepare adequately for the financial implications at closing.

7. What happens to part of the premium in a policy refund?

A. It is transferred to savings

B. It is invested in stocks

C. It is refunded to the policyholders

D. It is forfeited to the insurance company

When a policyholder experiences a refund of part of the premium, it indicates that the insurance company is returning a portion of the premium that was deemed unnecessary or excessive based on the terms of the policy. This can occur in several situations, such as when a policyholder cancels a policy before the end of the term or when there are adjustments made to the premium based on claims experience. Refunding part of the premium serves as a means of providing value back to the policyholder, reinforcing customer satisfaction and loyalty. It reflects the principle of fairness in insurance where the cost paid should correlate with the actual level of risk covered or the time during which coverage was utilized. In contrast, transferring premium funds to savings or investing them in stocks typically does not occur within the frame of insurance premium refunds. Similarly, forfeiture of premiums to the insurance company is not aligned with being refunded to the policyholder, as forfeiture implies loss of funds without recompense. Thus, the correct understanding is that a portion of the premium can indeed be refunded directly back to policyholders, affirming their financial rights under the insurance agreement.

8. What does renting typically not provide compared to owning?

A. Security deposits

B. Financial benefits

C. Maintenance responsibilities

D. Lower costs

When it comes to renting versus owning, one of the key differences is in financial benefits. Owning a property often leads to various financial advantages over time, such as building equity, potential appreciation in property value, and tax benefits, such as mortgage interest deductions. In contrast, renting generally does not provide these long-term financial benefits since monthly rent payments do not contribute towards ownership of an asset. While renting may come with its own set of costs, such as security deposits and potentially lower upfront costs compared to purchasing a home, it lacks the financial growth opportunities that ownership offers. Additionally, those who rent typically do not benefit from the increase in property value over time. Therefore, the absence of significant financial benefits is a notable distinction between renting and owning a property.

9. In personal finance, what does the term "dividend" refer to?

A. A share of profit distributed to shareholders

B. A type of debt financing

C. A capital gain on stocks

D. An investment in company assets

In personal finance, the term "dividend" specifically refers to a share of profit distributed to shareholders. When a company earns a profit, it has the option to reinvest that money back into the business or distribute a portion of it to its shareholders as dividends. This is a way for investors to receive a return on their investment in addition to any potential capital gains that may occur from an increase in the stock price. Dividends can provide a steady income stream for investors and are particularly attractive to those who prioritize income generation from their investments. The other choices highlight different financial concepts: debt financing refers to borrowing funds, not the distribution of profits; capital gains refer to the profit from selling an asset at a higher price than it was purchased, which is separate from dividends; and investing in company assets pertains to capital expenditures, which are not directly related to shareholder profit distribution.

10. If a stock has a quarterly dividend of $.50 and a stock price of $100, what is the current dividend yield?

A. 1%

B. 2%

C. 3%

D. 4%

*To calculate the dividend yield, you take the annual dividends per share and divide it by the stock price. In this scenario, the stock pays a quarterly dividend of $0.50. To find the annual dividend, you multiply the quarterly dividend by 4 (since there are four quarters in a year): Annual dividend = $0.50 * 4 = $2.00. Next, to find the dividend yield, you divide the annual dividend by the stock price. The stock price is $100, so: Dividend yield = Annual dividend / Stock price = $2.00 / $100 = 0.02 or 2%. This means that the correct answer reflects the return an investor would earn from holding the stock based on its current dividend payments relative to its price, which is an important measure for investors looking for income-generating investments.*

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://ucf-fin2100-midterm2.examzify.com

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