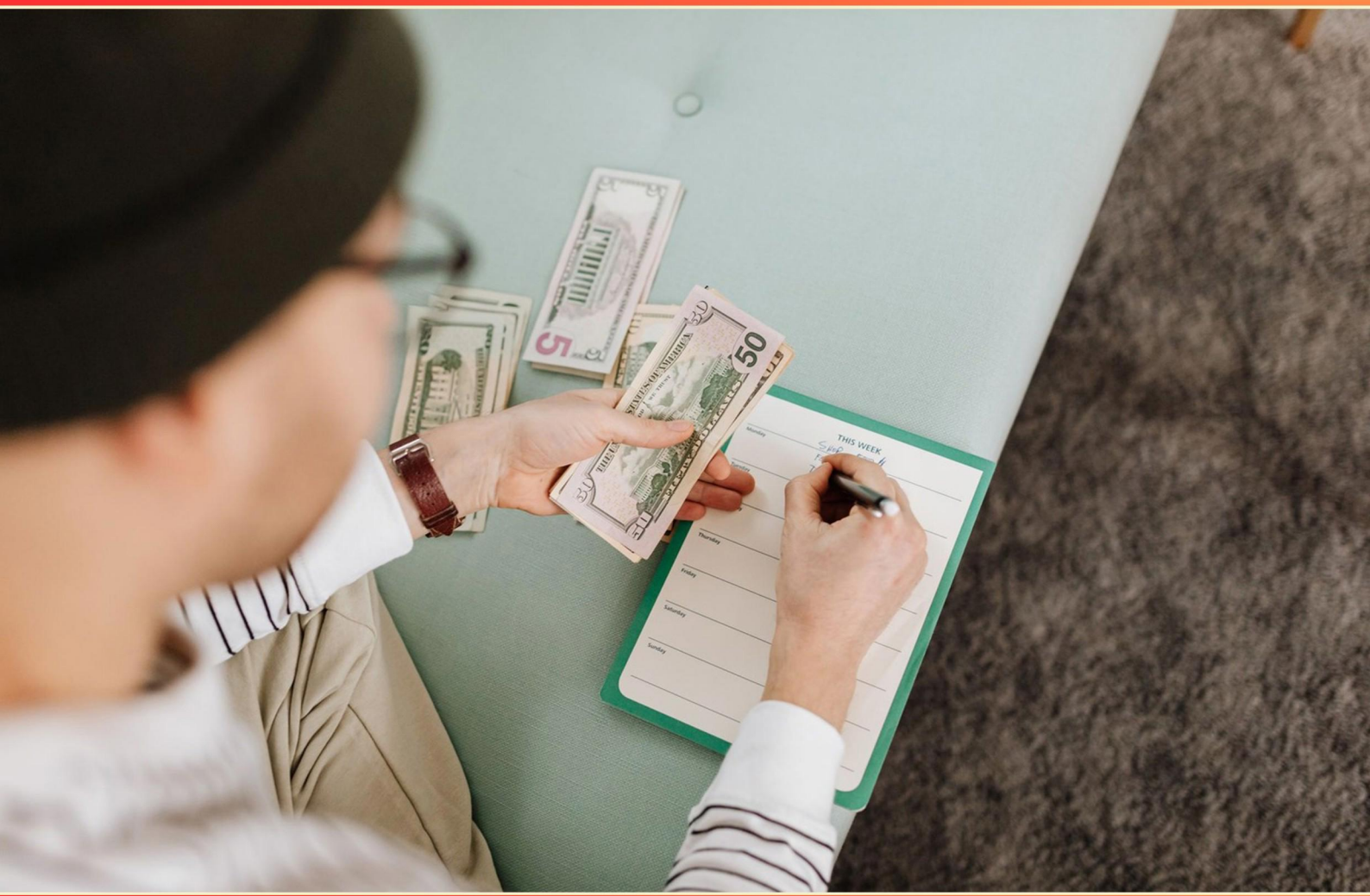
UNIVERSITY OF CENTRAL FLORIDA (UCF) FIN2100 PERSONAL FINANCE AND INVESTMENTS FINAL PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

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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.

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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!

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Questions

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1. What are bonds?

A. Ownership stakes in private companies

B. Debt securities issued by entities to raise funds

C. Financial products that guarantee returns

D. Dividend-paying stocks

2. An investor has 360 shares of Walmart, which just declared a 2 for 1 stock split. On the day before the stock split, the shares were trading at $80 per share. The day after the split, how many shares does the investor have and how much is each one worth?

A. 40 shares, $720/per share

B. 720 shares, $160/share

C. 720 shares, $40/share

D. 180 shares, $160/share

3. 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

4. Which of the following is NOT an advantage of online banking?

A. Convenience

B. 24/7 access

C. Easier money management tools

D. Long wait times for transactions

5. What is the ideal size of an emergency fund?

A. 1-2 months of living expenses

B. 3-6 months of living expenses

C. 12 months of living expenses

D. No specific amount is required

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6. Medium term notes usually have maturities of:

A. 5-12 years

B. 7-9 years

C. 6-15 years

D. 5-10 years

7. What is a credit report?

A. A summary of an individual's bank accounts

B. A detailed report of an individual's credit history

C. A document outlining an individual's income and expenses

D. A list of all loans borrowed by an individual

8. Which of the following is NOT a key component of a personal financial plan?

A. Budgeting

B. Insurance

C. Buying a house

D. Setting goals

9. An investor who wants tax-free investment income would choose a (an) _____ fund.

A. municipal bond

B. minimum security

C. government bond

D. treasury bill

10. Which of the following characterizes a bear market?

A. Rising stock prices

B. Stable economic conditions

C. Declining stock prices

D. Increased investor confidence

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Answers

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

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Explanations

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1. What are bonds?

A. Ownership stakes in private companies

B. Debt securities issued by entities to raise funds

C. Financial products that guarantee returns

D. Dividend-paying stocks

Bonds are defined as debt securities that are issued by various entities, including governments and corporations, to raise funds. When an entity issues a bond, it is essentially borrowing money from investors with the promise to pay back the principal amount on a specified maturity date along with periodic interest payments, called coupon payments. This makes bonds a crucial component of the debt market, as they facilitate capital generation for issuers while providing investors with a regular income stream and the potential for return of their principal. Bonds typically carry different levels of risk compared to other financial instruments such as stocks, which represent ownership in companies. The return on bonds is usually fixed, as opposed to stocks, which can fluctuate based on the company's performance and market conditions. This characteristic attracts a diverse pool of investors, especially those who may prioritize capital preservation and income stability in their investment portfolios.

2. An investor has 360 shares of Walmart, which just declared a 2 for 1 stock split. On the day before the stock split, the shares were trading at $80 per share. The day after the split, how many shares does the investor have and how much is each one worth?

A. 40 shares, $720/per share

B. 720 shares, $160/share

C. 720 shares, $40/share

D. 180 shares, $160/share

After a 2 for 1 stock split, the number of shares an investor holds doubles. In this case, the investor originally has 360 shares of Walmart. Following the stock split, they will have 720 shares since each existing share splits into two. The value of each share post-split adjusts according to the split ratio. Since the shares were trading at $80 per share before the split, the price per share will be halved following the 2 for 1 split. Therefore, after the split, each share will be worth $40. This understanding of how stock splits affect both the quantity of shares owned and the price per share is a crucial aspect of investing and personal finance. The total investment value remains unchanged immediately after the split, as the increase in the number of shares offsets the decrease in the value per share.

3. 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.

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4. Which of the following is NOT an advantage of online banking?

A. Convenience

B. 24/7 access

C. Easier money management tools

D. Long wait times for transactions

Long wait times for transactions are indeed not an advantage of online banking. In fact, one of the primary benefits of online banking is its ability to facilitate quicker transaction processing compared to traditional banking methods, which often involve in-person visits or manual processing. Online banking allows users to conduct transactions, check balances, and transfer funds almost instantaneously, providing a significant time-saving advantage. On the contrary, convenience, 24/7 access, and easier money management tools represent key benefits of online banking. The convenience factor enables users to complete banking tasks from virtually anywhere with internet access. The 24/7 access allows customers to perform banking activities at any time, without being restricted to traditional banking hours. Additionally, many online banking platforms offer money management tools that simplify budgeting and tracking expenses, enhancing overall financial management for users. Thus, identifying long wait times as a disadvantage clearly distinguishes it from the numerous benefits associated with online banking.

5. What is the ideal size of an emergency fund?

A. 1-2 months of living expenses

B. 3-6 months of living expenses

C. 12 months of living expenses

D. No specific amount is required

The ideal size of an emergency fund is generally considered to be 3-6 months of living expenses. This range is recommended because it provides a solid financial cushion for unexpected events such as job loss, medical emergencies, or urgent home repairs. Having three to six months of expenses saved ensures that an individual can maintain their standard of living without having to resort to credit or loans during financial setbacks. This amount allows for a sufficient timeframe to find new employment or recuperate from unforeseen events while covering essential costs such as housing, food, and transportation. It's designed to give you peace of mind in times of uncertainty, allowing you to manage unexpected challenges without significant stress or financial hardship. While larger emergency funds may be beneficial, especially for those with irregular income or higher expenses, the 3-6 month guideline strikes a balance between being adequately prepared and not over-committing funds that could be otherwise invested or used for other financial goals.

6. Medium term notes usually have maturities of:

A. 5-12 years

B. 7-9 years

C. 6-15 years

D. 5-10 years

Medium term notes (MTNs) are debt instruments that typically have maturities ranging from 5 to 10 years, making this answer accurate as it captures the generally accepted timeframe for these financial instruments. These notes are often used by corporations and financial institutions to raise capital in a flexible manner, allowing them to meet various financing needs over a medium-term horizon. The 5 to 10-year maturity range allows issuers to avoid the long-term commitment that comes with longer maturities, while still providing them with sufficient time to manage their financing strategy effectively. In contrast, the other options either extend the maturity period beyond the standard range for MTNs or fall short of the common understanding of this financial category. This reinforces why the specified range of 5 to 10 years is recognized as the appropriate maturity for medium term notes.

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7. What is a credit report?

A. A summary of an individual's bank accounts

B. A detailed report of an individual's credit history

C. A document outlining an individual's income and expenses

D. A list of all loans borrowed by an individual

A credit report is a comprehensive document that provides detailed information about an individual's credit history. It includes various elements such as the individual's borrowing habits, repayment history, outstanding debts, and any public records such as bankruptcies or liens. This report is crucial because it reflects the creditworthiness of an individual and influences their ability to secure loans, credit cards, and potentially impact rental applications or job prospects. The other choices fall short of defining a credit report accurately. A summary of bank accounts focuses primarily on financial assets rather than credit behavior. A document outlining income and expenses is more related to personal budgeting rather than credit history. A list of loans only reflects borrowing activities but does not give a holistic view of an individual's credit behavior, which is essential for understanding how they manage their debts and repay them over time.

8. Which of the following is NOT a key component of a personal financial plan?

A. Budgeting

B. Insurance

C. Buying a house

D. Setting goals

The reasoning behind choosing buying a house as the correct answer is grounded in the understanding of what constitutes a personal financial plan. A personal financial plan is primarily about managing one's resources effectively and ensuring long-term financial stability rather than specific purchases like real estate. Budgeting is crucial as it helps individuals track their income and expenses, allowing for better financial decisions. Insurance is also essential, as it protects against unforeseen circumstances and ensures financial security. Setting goals is a fundamental aspect of financial planning, helping individuals define their objectives and create a roadmap to achieve them. While buying a house can be a significant financial decision and part of a broader financial strategy, it is not a fundamental component of a personal financial plan itself. Instead, it can be seen as an outcome or objective of the planning process rather than a core element necessary for the creation of a financial plan.

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9. An investor who wants tax-free investment income would choose a (an) _____ fund.

A. municipal bond

B. minimum security

C. government bond

D. treasury bill

An investor seeking tax-free investment income would choose a municipal bond fund because the interest earned from municipal bonds is generally exempt from federal income tax, and oftentimes from state and local taxes as well, depending on the investor's location and the specific bond. This makes municipal bonds particularly appealing to individuals in higher tax brackets who are looking to maximize their after-tax returns. Municipal bonds are typically issued by state and local governments to finance public projects such as schools, highways, and infrastructure improvements. By investing in these bonds, an investor can support their community while also benefiting from tax advantages. In contrast, other options like government bonds and treasury bills usually generate interest that is subject to federal income tax, and while some of their income may be exempt from state and local taxes, it does not provide the same level of tax exemption as municipal bonds. Minimum security does not refer to a widely recognized investment vehicle and could create confusion, adding to why municipal bonds are the best choice for tax-free investment income.

10. Which of the following characterizes a bear market?

A. Rising stock prices

B. Stable economic conditions

C. Declining stock prices

D. Increased investor confidence

A bear market is characterized by a prolonged period of declining stock prices, typically defined as a drop of 20% or more from recent highs. This decline often reflects broader economic challenges, investor pessimism, and a lack of confidence in the market's performance. During a bear market, investors may become fearful of further losses, leading to decreased buying activity and increased selling pressure, which continues to drive stock prices lower. In contrast, rising stock prices indicate a bull market, where investor confidence is high, and economic conditions are generally favorable. Stable economic conditions suggest a balanced market without significant fluctuations in performance, which does not align with the characteristics of a bear market. Lastly, increased investor confidence typically correlates with rising prices and positive market sentiment, further diverging from the characteristics observed in a bear market. Thus, the defining feature of a bear market is indeed the decline in stock prices.

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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-final.examzify.com

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

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