Banking and Finance Quiz Credit and Taxes 2 points per question, 40 Total

NAME\_\_\_\_\_\_\_\_\_\_\_\_KEY\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_DATE\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. Which of the following would be deducted from gross income to obtain adjusted gross income?

**A)** alimony payments

B) mortgage interest

C) medical expenses

D) foreign income exclusion

E) charitable contributions

2. Money received by an individual for personal effort is \_\_\_\_\_\_\_\_\_\_\_\_ income.

A) passive

**B)** earned

C) portfolio

D) excluded

E) capital gains

3. The "head of household" filing status is for people who are:

A) recently divorced.

B) the surviving spouse.

**C)** not living with a spouse and have dependent children.

D) married but only one spouse has income.

E) married and each spouse makes about the same income.

4. The Form 1040 is most helpful to a person who:

A) is single with no other exemptions.

B) makes less than $50,000 with no interest or dividends.

**C)** itemizes deductions.

D) does not itemize deductions.

E) has a simple tax situation.

5. Which type of audit is the *least* complicated for taxpayers?

A) a field audit

B) an office audit

C) a research audit

**D)** a correspondence audit

E) a documentation audit

6. The use of legitimate methods to reduce one's taxes is tax \_\_\_\_\_\_\_\_\_\_\_\_.

A) evasion

**B)** avoidance

C) exemptions

D) deferred techniques

E) reductions

7. Although credit permits more immediate satisfaction of needs and desires, it:

A) does increase total purchasing power.

**B)** does not increase total purchasing power.

C) does not diminish your ability to buy more goods and services on credit.

D) has no opportunity costs attached to it.

E) is always best to avoid credit purchases.

8. By paying cash for a purchase, you:

**A)** forgo the opportunity to keep the cash in an interest-bearing account.

B) always get a cash discount.

C) can build a better credit rating.

D) get better personal service from store employees.

E) have a better selection of goods than if you use credit.

9. Another name for closed-end credit is:

A) a line of credit.

B) convenience credit.

C) revolving credit.

**D)** installment credit.

E) bank card credit.

10. Kelsey purchased a $2,000 digital TV from Lynn's Appliances. She will make 12 equal payments over the next year to pay for it. She is using:

**A)** closed-end credit

B) Open-end credit

C) Revolving check credit

D) a line of credit

E) none of the above

11. A good example of a closed-end credit is:

A) a credit card issued by a department store.

B) a credit card issued by VISA or MasterCard.

C) using overdraft protection at a bank.

D) using a cashier's check to pay for a purchase.

**E)** a mortgage loan.

12. Mortgage loans, automobile loans, and installment loans for purchasing furniture or appliances are examples of:

A) a line of credit.

B) a credit card loan.

C) open-end credit.

**D)** closed-end credit.

E) convenience credit.

13. The maximum amount of credit you are allowed by a creditor is called a(n):

A) revolving credit.

B) line of credit.

**C)** credit limit.

D) installment cash credit.

E) single lump-sum credit.

14. A good example of an open-end credit is:

**A)** the use of a bank credit card to make a purchase.

B) the mortgage loan from a savings and loan institution.

C) automobile loan from a credit union.

D) installment loan from a furniture store.

E) installment loan for purchasing a major appliance.

15. Installment sales credit is a:

A) direct loan of money for personal purposes.

B) direct loan of money for home improvement.

**C)** loan that allows you to receive merchandise such as a refrigerator or furniture.

D) direct loan for vacation purposes.

E) synonym for a single lump-sum credit.

16. Amy is notified by her credit card company that credit limit on her credit card has just been increased to $10,000. This is one example of:

**A)** open-end credit limit.

B) close-end credit limit.

C) a line of credit limit.

D) installment sales credit limit.

E) none of the above

17. Installment cash credit is a:

A) loan that must be repaid in total on a specified day.

**B)** direct loan of money for personal or business purposes.

C) loan that allows the consumer to receive merchandise, such as a refrigerator.

D) down payment made on a purchase.

E) synonym for a single lump-sum credit.

18. A credit arrangement that has no extra costs and no specific repayment plan is called:

A) installment sales credit.

**B)** single lump-sum credit.

C) line of credit.

D) incidental credit.

E) revolving check credit.

19. Revolving check credit is a:

A) credit arrangement that has no extra costs.

**B)** prearranged loan for a specified amount limit that you can use by writing a special check.

C) credit arrangement that has no specific repayment plan.

D) synonym for installment cash credit.

E) synonym for single lump-sum credit.

20. The debit card:

**A)** debits your account at the moment you buy goods or services.

B) credits your account at the moment you buy goods or services.

C) is a new type of a credit card issued by VISA International.

D) is really like a travel and entertainment card.

E) is declared illegal in many states.