

# DSST® PERSONAL FINANCE

## EXAM INFORMATION

This exam was developed to enable schools to award credit to students for knowledge equivalent to that learned by students taking the course. This exam tests the ability to understand credit and debt; major purchases; taxes; insurance; investments; and retirement and estate planning.

The exam contains 100 questions to be answered in 2 hours.

The use of nonprogrammable calculators is permitted during the test. Scratch paper for computations will be provided. A calculator function is available during computer-based exams.

## EXAM CONTENT OUTLINE

The following is an outline of the content areas covered in the examination. The approximate percentage of the examination devoted to each content area is also noted.

### I. Foundations – 10%

- Financial goals, budgeting, financial statements, and cash management
- Economic terminology
- Institutional aspects of financial planning
- Time value of money

### II. Credit and Debt – 15%

- Consumer credit
- Bankruptcy

### III. Major Purchases – 15%

- Auto
- Housing
- Other major purchases

### IV. Taxes – 15%

- Payroll deductions
- Income
- Tax planning/estimating

### V. Insurance – 15%

- Life policies
- Property and liability policies
- Health, disability, and long-term care policies

### VI. Investments – 15%

- Saving accounts and money markets
- Stocks, bonds, and mutual funds
- Sources of information

### VII. Retirement and Estate Planning – 15%

- Funding retirement
- Social security
- Estate planning

## REFERENCES

Below is a list of reference publications that were either used as a reference to create the exam, or were used as textbooks in college courses of the same or similar title at the time the test was developed. You may reference either the current edition of these titles **or** textbooks currently used at a local college or university for the same class title. It is recommended that you reference **more than one textbook** on the topics outlined in this fact sheet.

You should **begin by checking textbook content against the content outline** provided **before** selecting textbooks that cover the test content from which to study.

Sources for study material are suggested but not limited to the following:

- Personal Financial Planning*, 11th Edition, 2008, Lawrence Gitman and Michael Joehnk, Thomson South-Western, ISBN: 0324422865, 20 Davis Drive, Belmont, CA 94002, (www.academic.cengage.com).
- Personal Finance*, 10<sup>th</sup> Edition, 2010, Jack R. Kapoor, Les R. Dlabay, Robert J. Hughes, McGraw-Hill, ISBN: 0073530697, Two Penn Plaza, New York, NY 10121 (books.mcgraw-hill.com).

## SAMPLE QUESTIONS

All test questions are in a multiple-choice format, with one correct answer and three incorrect options. These are samples of the types of questions that may appear on the exam. Other sample questions can be found in the form of practice exams by visiting our website at [www.getcollegedcredit.com/testprep](http://www.getcollegedcredit.com/testprep).

- Which of the following resources could be used to evaluate the financial strength of an insurance company?
  - Morningstar
  - Best's
  - Dun & Bradstreet
  - Standard and Poor's

2. Joe and Betty are both recent college graduates in their mid-20s and are working at junior executive positions in medium-size firms. They plan to get married in two months and hope to have a baby within the next three years. Which of the following short-term goals should they be considering now?
  - a. Accumulating a savings fund for their honeymoon
  - b. Establishing a retirement plan for themselves
  - c. Establishing a college tuition fund for their child
  - d. Accumulating a down payment for a house
3. The federal income tax is considered a progressive tax because as a person's income rises, the person's tax rate
  - a. remains the same
  - b. increases
  - c. decreases
  - d. fluctuates
4. Which of the following types of bankruptcy is designed for debtors with regular incomes who must attempt to repay as much of the debt as possible within a certain time period?
  - a. Chapter 5
  - b. Chapter 7
  - c. Chapter 11
  - d. Chapter 13
5. A lender is offering a fixed-rate loan with two points. If a family plans to purchase an \$80,000 house by putting 20% down and borrowing \$64,000, how much will the two points cost?
  - a. \$1,600
  - b. \$1,280
  - c. \$2,000
  - d. \$1,400
6. Which of the following types of insurance provides an individual with a percentage of lost income due to physical or mental incapacity?
  - a. Health
  - b. Major medical
  - c. Disability
  - d. Umbrella
7. A 65-year-old retiree with a 50-year-old spouse is considering various annuity payout options. Which of the following payout options would provide the retiree with the largest annual payment?
  - a. Straight life
  - b. Joint life
  - c. 20-year-certain
  - d. Refund
8. A blue chip company is generally defined as
  - a. new company whose stock trades over-the-counter
  - b. well-established company whose stock trades on the NYSE
  - c. 20-year-old limited partnership that is sold by stockbrokers
  - d. three-year-old mutual fund whose stock trades on the NYSE
9. An increase in the consumer price index (CPI) is generally an indication of
  - a. increased unemployment
  - b. increased inflation
  - c. continued recession
  - d. reduced trade deficit

### CREDIT RECOMMENDATIONS

The American Council on Education's College Credit Recommendation Service (ACE CREDIT) has evaluated the DSST test development process and content of this exam. It has made the following recommendations:

<b>Area or Course Equivalent</b>	Personal Finance
<b>Level</b>	Lower-level baccalaureate
<b>Amount of Credit</b>	Three (3) semester hours
<b>Minimum Score</b>	400
<b>Source</b>	American Council on Education – College Credit Recommendation Service

**Answers to sample questions:** 1-B; 2-D; 3-B; 4-D; 5-B; 6-C; 7-A; 8-B; 9-B.