



### 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.

**Form Codes:** SP550, SN550, SY550, SZ550

### 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:

**Area or Course Equivalent:** Personal Finance

**Level:** Lower-level baccalaureate

**Amount of Credit:** 3 Semester Hours

**Minimum Score:** 400

**Source:** [www.acenet.edu](http://www.acenet.edu)

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### 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 of Business – 10%

- a. Financial goals, and values
- b. Budgeting and financial statements
- c. Cash Management
- d. Economic terminology
- e. Institutional aspects of financial planning

#### II. Credit and Debt – 15%

- a. Credit and debit cards
- b. Installment loans
- c. Interest calculations
- d. Federal credit laws
- e. Creditworthiness, credit scoring and reporting
- f. Bankruptcy

#### III. Major Purchases – 15%

- a. Auto, furniture, appliances
- b. Housing

#### IV. Taxes – 15%

- a. Payroll
- b. Income
- c. IRS and audits
- d. Estate and gift
- e. Tax planning/estimating
- f. Progressive vs regressive

- g. Other (excise, property, sales, gas)
- h. Tax Professionals

#### **V. Insurance – 15%**

- a. Risk management
- b. Life policies
- c. Property and liability policies
- d. Health, disability and long-term care policies
- e. Specialty insurance (e.g. professional, malpractice, antiques)
- f. Insurance analysis and sources of information

#### **VI. Investments – 15%**

- a. Liquid Assets
- b. Bonds
- c. Equities
- d. Mutual funds and exchange traded funds
- e. Other (e.g. commodities, precious metals, real estate, derivatives)
- f. Sources of information
- g. Time value of money
- h. Asset/portfolio allocation

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

- a. Terminology (vesting, maturity, rollovers)
  - b. Qualified retirement accounts (e.g. IRA, Roth, IRA, SEP, Keogh, 401(k), 403(b))
  - c. Social security benefits
  - d. Wills, trusts and estate planning
  - e. Tax-deferred annuities
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### **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:

1. *Personal Financial Planning*, 13<sup>th</sup> Edition, 2014, Gitman, Joehnk, and Billingsley, Cengage Learning.
  2. *Personal Finance*, 11<sup>th</sup> Edition, 2014, Kapoor, Dlabay, and Hughes, McGraw-Hill.
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### **SAMPLE QUESTIONS**

All test questions are in a multiple-choice format, with one correct answer and three incorrect options. The following are samples of the types of questions that may appear on the exam.

1. Which of the following resources could be used to evaluate the financial strength of an insurance company?
  - a. Morningstar
  - b. Best's
  - c. Dun & Bradstreet
  - d. 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?
- accumulating a savings fund for their honeymoon
  - establishing a retirement plan for themselves
  - establishing a college tuition fund for their child
  - 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?
- remains the same
  - increases
  - decreases
  - 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?
- Chapter 5
  - Chapter 7
  - Chapter 11
  - Chapter 13
5. A lender is offering a fixed rate loan with two points. If the family plans to purchase an \$80,000 house by putting 20% down and borrowing \$64,000, how much will the two points cost?
- \$1,600
  - \$1,280
  - \$2,000
  - \$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?
- Health
  - Major medical
  - Disability
  - 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?
- straight life
  - joint life
  - 20-year certain
  - Refund
8. A blue chip company is generally defined as a?
- new company whose stock trades over-the-counter
  - well-established company whose stock trades on the NYSE
  - 20-year-old limited partnership that is sold by stockbrokers
  - three-year-old mutual fund whose stock trades on the NYSE
9. An increase in the consumer price index (CPI) is general an indication of?
- increased unemployment
  - increased inflation
  - continued recession
  - reduced trade deficit

Answers to sample questions:

1-B, 2-D, 3-B, 4-D, 5-B, 6-C, 7-A, 8-B, 9-B