



**Illinois
Consumer
Education
Proficiency Test**

**SAMPLE
ITEMS**

2006



1. Of the following, the federal government most strictly regulates
 - a. advertising.
 - b. information from salespeople.
 - c. package information.
 - d. information in catalogs.

2. Interdependence in our economy refers to
 - a. foreign and domestic trade.
 - b. efforts to assist unemployed workers.
 - c. government payments to assist various businesses.
 - d. the flow and reverse flow of money, goods, and services.

3. In the following list, the safest investment instrument is considered to be
 - a. corporate bonds.
 - b. treasury bonds.
 - c. common stock.
 - d. real estate.

4. A person's credit capacity refers to his or her
 - a. ability to make payments.
 - b. savings and other assets.
 - c. debts that are currently owed.
 - d. future earning potential.

5. The Illinois state government receives the majority of its revenue from income tax and
 - a. real estate tax.
 - b. federal grants.
 - c. traffic violation fines.
 - d. sales tax.

6. The basic purpose of insurance is to
 - a. specify the costs of loss.
 - b. prevent a loss from happening.
 - c. share the risk of loss.
 - d. delay a financial loss.

7. An example of a public servant is
 - a. a dentist.
 - b. a teacher.
 - c. an attorney.
 - d. a psychologist.

Use this information to answer the next 3 questions.

Gina has two checks made payable to her. One check is written for \$15. The other is written for \$10. She would like to deposit \$12 and take \$13 home in cash.

DEPOSIT TICKET

	A →	CURRENCY			
		COIN			
		CHECKS			
	B <				
		TOTAL FROM OTHER SIDE			
		TOTAL			<small>IF MORE THAN 7 CHECKS USE THE REVERSE SIDE</small>
DATE _____ 19____	C →	LESS CASH RECIEVED			TOTAL ITEMS
<small>DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL</small>		TOTAL			
<small>SIGN HERE IF CASH RECEIVED FROM DEPOSIT</small>					

RQ RQ Friendly Federal Credit Union
Your City, Your State, Your Zip Code

↑
D

8. Gina should write "\$15.00" in the space labeled

- a. **A.**
- b. **B.**
- c. **C.**
- d. **D.**

10. Gina should write "\$13.00" in the space labeled

- a. **A.**
- b. **B.**
- c. **C.**
- d. **D.**

9. Gina should write "\$12.00" in the space labeled

- a. **A.**
- b. **B.**
- c. **C.**
- d. **D.**

11. Sarah owns her home but has just made an offer on a new one. The offer stated that she would not buy the new home unless she could sell her old one within 6 months. This is called
- a contingency offer.
 - an escrow offer.
 - an earnest offer.
 - a counter offer.
12. The unit price is most useful to
- compare prices of different brands and sizes of the same item.
 - see how much the store owner paid.
 - see what the item costs on sale.
 - know what the item costs with a coupon.
13. The factor that would cause the greatest increase in the cost of a sport coat is
- machine sewing.
 - hand sewing.
 - the use of natural fibers.
 - the use of synthetic materials.
14. The largest annual consumer expenses for transportation are for
- air travel.
 - auto expenses.
 - train travel.
 - bus expenses.
15. The primary influence of consumers on the economy is in the form of
- paying taxes.
 - spending.
 - savings.
 - foreign trade.
16. Resources move from households to businesses in the form of
- money income from wages, rent, and interest.
 - money payments for goods and services purchased.
 - goods and services supplied.
 - wages and salaries paid for labor.
17. An example of an outpatient service is
- open-heart surgery.
 - cataract surgery.
 - a kidney transplant.
 - intensive care.
18. During any life-cycle stage, the objectives of a family's savings program are more easily attainable when the family has
- a carefully planned set of goals.
 - money left over at the end of a pay period.
 - a pay-as-you-go savings plan.
 - money invested in stocks and bonds.

Use this information to answer the next 2 questions.

BUYERS GUIDE

IMPORTANT: Spoken promises are difficult to enforce. Ask the dealer to put all promises in writing. Keep this form.

Ford Taurus 2000 123456
VEHICLE MAKE MODEL YEAR VIN NUMBER

DEALER STOCK NUMBER (Optional) _____

WARRANTIES FOR THIS VEHICLE:



AS IS - NO WARRANTY

YOU WILL PAY ALL COSTS FOR ANY REPAIRS. The dealer assumes no responsibility for any repairs regardless of any oral statements about the vehicle.

WARRANTY

- FULL LIMITED WARRANTY. The dealer will pay _____% of the labor and _____% of the parts for the covered systems that fail during the warranty period. Ask the dealer for a copy of the warranty document for a full explanation of warranty coverage, exclusions, and the dealer's repair obligations. Under state law, "implied warranties" may give you even more rights.

SYSTEMS COVERED:

DURATION:

- SERVICE CONTRACT. A service contract is available at an extra charge on this vehicle. Ask for details as to coverage, deductible, price, and exclusions. If you buy a service contract within 90 days of the time of sale, state law "implied warranties" may give you additional rights.

PRE-PURCHASE INSPECTION: ASK THE DEALER IF YOU MAY HAVE THIS VEHICLE INSPECTED BY YOUR MECHANIC EITHER ON OR OFF THE LOT.

SEE THE BACK OF THIS FORM for important additional information, including a list of some major defects that may occur in used motor vehicles.

19. If Chris buys this car and buys a service contract,
- the contract will pay all repair costs.
 - the dealer will pay all repair costs for as long as Chris owns the car.
 - the dealer will pay all repair costs for the first 90 days.
 - Chris will still have to pay for some repair costs.
20. If Chris is concerned about being able to pay for car expenses such as oil changes and new tires, the best choice might be to
- build up a savings account before buying a car.
 - find a car with a full warranty.
 - find a car with a limited warranty.
 - have the car inspected before buying it.
-
21. It would be unwise to use credit
- to attend school.
 - to consolidate bills.
 - when one's entertainment budget has been exceeded.
 - when shopping to avoid carrying large amounts of cash.
22. Ideally, the federal government would endorse a deficit budget when business activity is
- slow and unemployment is falling rapidly.
 - slow and unemployment is rising rapidly.
 - brisk and unemployment is rising rapidly.
 - brisk and unemployment is falling rapidly.
23. The document which best helps a renter avoid a potential dispute over the condition of rental property and the return of a security deposit is
- a lease showing the age of the property.
 - a renter's insurance policy.
 - a written inventory of the state of the unit before and after renting.
 - the state law regarding obligations of tenants.
24. The type of recreation a person chooses is usually least influenced by the person's
- lifestyle.
 - income.
 - goals.
 - occupation.
25. A person who desires a low salt diet would probably try to avoid
- canned applesauce.
 - canned vegetables.
 - frozen corn.
 - wheat bread.
26. Normally a consumer will spend more time deciding about a purchase if he or she
- sees the product or service as affordable in relation to his or her income.
 - is familiar with the product or service from past experience.
 - has no immediate need for the product or service.
 - has a friend who is familiar with the product or service.

27. The quality of upholstered furniture is difficult to determine because of
- various designs available.
 - invisible protective finishes.
 - various quality fabrics available.
 - many internal construction features.
28. Martin is thinking about purchasing a car. The first step in this decision-making process is
- recognizing the need for a car.
 - comparing the prices of new and used cars.
 - determining the cost of car insurance.
 - locating the car dealers in the area.
29. Inflation is considered when computing the
- safety of an investment.
 - liquidity of an investment.
 - annual yield of an investment.
 - rate of return of an investment in real terms.
30. The statistic that is most helpful in comparing different credit plans is the
- total number of payments.
 - amount of down payment.
 - amount of monthly payment.
 - annual percentage rate.
31. The most important factor to consider when selecting services is the
- price of the service.
 - reputation of the business.
 - size of the company.
 - suggestions of sales staff.
32. A federal income tax is
- an indirect regressive tax.
 - an indirect progressive tax.
 - a direct regressive tax.
 - a direct progressive tax.
33. A disadvantage of buying a mobile home is that
- manufacturers do not need to meet minimum standards of construction.
 - it usually is more expensive to maintain than a conventional house.
 - its registration costs are not tax deductible.
 - it depreciates in value.
34. A grade such as Grade AA on food means the food
- is wholesome.
 - meets certain quality standards.
 - meets certain nutrition standards.
 - will be tasty.

35. The first step in solving a consumer problem is to
- hire a lawyer.
 - write a letter to the manufacturer.
 - complain to the seller.
 - go to small claims court.
36. When purchasing some types of cloth, the thread count is given. The thread count tells the
- thickness of the thread used to make the cloth.
 - kind of thread used to make the cloth.
 - length of the thread used to make the cloth.
 - number of threads per square inch of cloth.
37. Increased consumer spending will influence workers through
- a need to learn new employment skills.
 - increased career opportunities.
 - higher unemployment.
 - lower unemployment.
38. If the Consumer Price Index in the last year has increased 6% for food and 10% for transportation but has remained the same for other items, most consumers would likely try to spend
- more for food and transportation.
 - the same as before on food and transportation.
 - less on food and transportation.
 - less on everything except food and transportation.
39. A \$300 savings account that earns \$18 interest in a year has an effective yield of
- 5.5%.
 - 6%.
 - 8%.
 - 18%.
40. Of the following, the action that will not help to reduce individual medical costs is
- choosing a doctor before becoming ill.
 - seeking the advice of specialists only when necessary.
 - buying generic drugs when possible.
 - checking whether hospital tests can be done on an outpatient basis.

Use this information to answer the next 3 questions.

Toni received this information in the mail from the Metro Life Insurance Company.

Metro Life Preferred									
<i>Increase Your Family's Financial Security and Take Advantage of Our Low Rates for Annual Renewable Term Life Insurance</i>									
Metro Life Insurance Company has the top ratings with the nation's four leading independent insurance industry rating companies. The cost comparison index for our \$250,000 policy is 1.30.									
Metro Life Preferred Premium Rates: Annual Cost Per \$1,000 of Insurance									
Select*					Standard				
Age	Guaranteed First-Year Premium	Renewals			Age	Guaranteed First-Year Premium	Renewals		
		Projected Payment	Guaranteed Premium	Projected Dividend			Projected Payment	Guaranteed Premium	Projected Dividend
18-30	\$1.17	\$1.17	\$2.50	\$1.33	18-30	\$1.88	\$1.88	\$3.11	\$1.23
31-35	1.17	1.17	2.51	1.34	31-35	1.88	1.88	3.12	1.24
36-40	1.24	1.24	2.64	1.40	36-40	1.95	1.95	4.12	2.17
41-45	1.59	1.59	3.77	2.18	41-45	2.58	2.58	6.46	3.88
46-50	2.36	2.32	5.51	3.19	46-50	3.98	3.93	10.12	6.19
51-55	3.66	3.38	8.38	5.00	51-55	6.75	6.17	15.60	9.43
56-60	5.22	5.60	14.14	8.54	56-60	10.32	10.50	25.54	15.04

*Select rates are only available to people who have not smoked any cigarettes during the past 12 months.

Projected payments for renewals are equal to guaranteed premium less the projected dividend. Projected dividends are based on Metro's dividend scale from last year and cannot be guaranteed for the future, but Metro has paid dividends every year since 1940.

41. If Toni is 27 and smokes, her premium for the first year on a \$100,000 policy would be
- \$117.
 - \$123.
 - \$188.
 - \$311.
42. Toni's renewal premium could be less than the maximum. The chart shows this could happen if
- the company uses a dividend to lower premiums.
 - Toni's cash value builds quickly.
 - interest rates drop.
 - Toni buys more insurance.
43. Jack is 20 and smokes. Grace, age 53, Tomika, age 36, and Larry, age 47, are all nonsmokers. If they accepted this insurance offer, the person who would pay the lowest first-year premium is
- Grace.
 - Jack.
 - Tomika.
 - Larry.

44. Ownership of an appliance purchased on an installment plan passes to the consumer when the consumer
- takes it home.
 - signs the contract.
 - makes the last payment.
 - has it for a certain period of time.
45. Public funds would most likely be used to cover the costs of
- movie theaters.
 - bowling lanes.
 - a racquetball club.
 - a swimming pool.
46. The government actions most likely to encourage more consumer spending are
- decreasing both personal and corporate taxes.
 - decreasing personal taxes, but increasing corporate taxes.
 - increasing both personal and corporate taxes.
 - increasing personal taxes, but decreasing corporate taxes.
47. Points charged when one borrows money for a home loan are a
- fee charged to appraise the home.
 - percent of the amount of the loan.
 - fee to pay for the seller's lawyer.
 - percent of the selling price of the home.
48. If a food claims it contains no cholesterol, then a consumer knows that the food
- has no cholesterol.
 - has no cholesterol or fat.
 - is low in calories.
 - is high in vitamins.
49. In the state of Illinois, a car owner must have
- comprehensive insurance.
 - liability insurance.
 - collision insurance.
 - comprehensive and liability insurance.
50. Ellis wishes to put up a fence around the property of his house. Rules regulating the type of fencing he should use would most likely be outlined in the
- housing laws of the state.
 - housing code of the county.
 - regulations of the mortgage.
 - covenant of the subdivision.

Item Key

Sample Item

Answer

1	C
2	D
3	B
4	A
5	D
6	C
7	B
8	B
9	D
10	C
11	A
12	A
13	B
14	B
15	B
16	B
17	B
18	A
19	D
20	A
21	C
22	B
23	C
24	D
25	B
26	C
27	D
28	A
29	D
30	D
31	B
32	D
33	D
34	B
35	C
36	D
37	D
38	C
39	B
40	A
41	C
42	A
43	C
44	C
45	D
46	A
47	B
48	A
49	B
50	D