**PRACTICE TEST**

**Directions:** Answer each of the following questions. Use a separate sheet of paper to record your   
responses.

**Objective A**

1. What does it mean to be risk-tolerant? (1 point)

2. What does it mean to be risk-averse? (1 point)

3. Why do people risk money on investments? (1 point)

4. List three factors that determine how much risk an investor can tolerate. (6 points; 2 points each)

5. How does the risk pyramid help investors make decisions? (2 points)

6. What are lending investments? (3 points)

7. What is a savings account? (3 points)

8. List one advantage and one disadvantage of investing in savings accounts. (6 points; 3 points each)

9. What is a money market account? (3 points)

10. List one advantage and one disadvantage of investing in money market accounts. (6 points; 3 points each)

11. What is a certificate of deposit? (3 points)

12. List one advantage and one disadvantage of investing in certificates of deposit. (6 points; 3 points each)

13. What is a bond? (3 points)

14. List one advantage and one disadvantage of investing in bonds. (6 points; 3 points each)

**Objective B**

15. What are ownership investments? (3 points)

16. What is a stock? (3 points)

17. List one advantage and one disadvantage of investing in stocks. (6 points; 3 points each)

18. What is a mutual fund? (3 points)

**PRACTICE TEST** (cont’d)

19. List one advantage and one disadvantage of investing in mutual funds. (6 points; 3 points each)

20. What is real estate? (3 points)

21. List one advantage and one disadvantage of investing in real estate. (6 points; 3 points each)

22. What is entrepreneurship? (3 points)

23. List one advantage and one disadvantage of entrepreneurship as an investment. (6 points; 3 points each)

24. What are collectibles? (3 points)

25. List one advantage and one disadvantage of investing in collectibles. (6 points; 3 points each)

26. How do businesses invest money? (2 points)

**Suggested** Criterion Level: 80 points