HIGH SCHOOL

CALIFORNIA

PERSONAL FINANCE



10 FULL-LENGTH PRACTICE TESTS

400 Original Questions

with Step-by-Step Explanations and a Quick Review

Reza Nazari

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Effortless Math Education Inc

Published by Effortless Math Education

EffortlessMath.com

ISBN: 979-8-90703-539-3

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Test	Date	Earn	Spend	Save	Invest	Credit	Risk	Total (of 40)	Weak topics
Test 1		/7	/7	/7	/7	/6	/6		
Test 2		/7	/7	/7	/7	/6	/6		
Test 3		/7	/7	/7	/7	/6	/6		
Test 4		/7	/7	/7	/7	/6	/6		
Test 5		/7	/7	/7	/7	/6	/6		
Test 6		/7	/7	/7	/7	/6	/6		
Test 7		/7	/7	/7	/7	/6	/6		
Test 8		/7	/7	/7	/7	/6	/6		
Test 9		/7	/7	/7	/7	/6	/6		
Test 10		/7	/7	/7	/7	/6	/6		

Reference Sheet

Figures and formulas you may use on every test

You are not expected to memorize any of these. Every question that needs one of them can be answered with the figures below. Unless a question says otherwise, use 6.2% for Social Security and 1.45% for Medicare, assume no state or local income-tax withholding, and round money to the nearest cent.

Paychecks and taxes

- Social Security 6.2% of wages, up to $184,500 in 2026. Medicare 1.45% of all wages, no cap. The two together are 7.65%.
- Self-employment tax (simplified rule for this book): 15.3%, charged on 92.35% of net earnings. At high earnings the Social Security part stops at the wage base.
- Overtime for questions in this book: unless a question states otherwise, assume overtime is paid at 1.5 times the regular rate for hours over 40 in one workweek. (California law also sets daily overtime rules; the questions here use the weekly rule only.)
- Full-time year: $40 \times 52 = 2{,}080$ hours. Paychecks a year: weekly 52, biweekly 26, semimonthly 24, monthly 12.
- 2026 federal income tax, single filer: standard deduction $16,100; 10% to $12,400 of taxable income, 12% to $50,400, 22% to $105,700.

Saving, borrowing, and budgeting

- Compound interest $A = P(1 + r/n)^{nt}$. Rule of 72: years to double $\approx 72 \div$ rate.
- Loan payment $= P \times i \div (1 - (1 + i)^{-n})$, where i is the annual rate divided by 12 and n is the number of months.
- Credit card minimum, as stated on the statements in this book: the greater of \$35 or (one month's interest + 1% of the balance). Monthly interest rate = APR ÷ 12 (a simplification: real cards usually apply a daily rate to the average daily balance).
- Deposit insurance: generally \$250,000 per depositor, per insured institution, per ownership category.
- 50/30/20: 50% of net pay to needs, 30% to wants, 20% to saving.
- Federal student loan rates, 2026–27: undergraduate 6.52%; graduate unsubsidized 8.07%; PLUS 9.07%.

Retirement and health

- 2026 contribution limits, under age 50: 401(k) \$24,500; IRA \$7,500; HSA \$4,400 self-only and \$8,750 family; health FSA \$3,400.
- 2026 high-deductible health plan minimums: deductible \$1,700 self-only, \$3,400 family; out-of-pocket maximum \$8,500 and \$17,000.
- Health claims: the deductible is paid first, then coinsurance applies to what is left, until the out-of-pocket maximum is reached.

Figures marked with a year are dated. They are correct for 2026 and are printed here so that no question depends on recalling them.

Personal Finance Quick Review

The terms, formulas, and traps these tests keep coming back to

How to use this review. Read it once before Practice Test 1, then use it after each test: for every question you missed, find its card, reread it, and check the **Watch out** line—most missed questions fall into one of those traps. The six sections follow the domains on every test: **Earning Income** (7 questions), **Spending** (7), **Saving** (7), **Investing** (7), **Managing Credit** (6), and **Managing Risk** (6). A **Numbers and Formulas** card closes the review.

1 Earning Income
7 of 40 questions on every test

1.1 Reading a pay stub

Gross pay	everything earned before any deduction
Deductions	taxes, benefit premiums, retirement contributions
Net pay	what actually reaches the bank account
YTD	the running total from January through this check

gross pay → pre-tax deductions → taxes withheld → after-tax deductions → net pay

Pay periods per year: weekly 52, biweekly 26, semimonthly 24, monthly 12.

Watch out: biweekly (every two weeks, 26 checks) is not semimonthly (twice a month, 24 checks).

1.2 Hourly pay and overtime

Overtime in this book: unless a question says otherwise, hours over 40 in one workweek are paid at 1.5 times the regular rate. (California also has daily overtime rules; these questions use the weekly rule.)

Example: \$18/hour, 46 hours $\rightarrow 40 \times 18 = \$720$; $6 \times 27 = \$162$; gross \$882.

Annual from hourly: rate $\times$ 2,080 hours for a full-time year.

Watch out: only the hours *over* 40 earn the overtime rate, not the whole week.

1.3 Payroll taxes and income tax

- **FICA:** Social Security 6.2% (up to the annual wage cap) plus Medicare 1.45%; together 7.65%. Self-employed workers pay 15.3% on 92.35% of net earnings (the simplified rule this book uses; at high earnings the Social Security part stops at the wage cap).
- **W-4:** tells the employer how much federal income tax to withhold. **W-2:** the employer's year-end summary of wages and withholding. **1040:** the individual tax return.
- **Taxable income** = income − deductions (for most filers, the standard deduction).
- **Marginal brackets:** each rate applies only to the income inside its bracket.

Watch out: moving into a higher bracket does not raise the tax on all your income—only on the dollars above the line.

1.4 Total compensation and careers

Compare job offers on **salary − your yearly premiums + employer match and other benefits**, not salary alone.

Education and training: weigh the full cost (tuition, fees, living costs, interest on loans) against the added earnings. Grants and scholarships are not repaid; loans are.

Watch out: a higher salary can be worth less once a large health premium and a missing retirement match are counted.

2 Spending
7 of 40 questions on every test

2.1 Budgets

Budget = a plan for net (take-home) pay. **Needs** (rent, utilities, groceries, transportation, insurance), **wants**, and **saving**.

50/30/20: 50% needs, 30% wants, 20% saving, each of net pay.

Fixed expenses stay the same each month; **variable** expenses change.

Sinking fund: set aside a bill's cost month by month: a \$588 six-month premium $\rightarrow \$588 \div 6 = \$98$/month.

Watch out: build a budget from net pay, not gross pay.

2.2 Smart buying

- **Unit price** = price ÷ quantity; compare in the same unit.
- **Sales:** a 20% discount then 10% off the sale price is 28% off, not 30%.
- **Sales tax** applies to the price after discounts.
- **Opportunity cost:** the value of the next-best choice you give up.

Watch out: two discounts in a row do not simply add.

2.3 Buying or leasing a car

Total cost of a loan = down payment + (monthly payment $\times$ months).

Total cost of a lease = due at signing + (payment $\times$ months) + end-of-lease fees; at the end you own nothing.

Ownership costs beyond the payment: insurance, fuel, maintenance, registration.

Watch out: the lower monthly payment is not the lower total cost; a longer loan usually costs more interest.

2.4 Housing and living on your own

- **Move-in cost** for a rental: first month's rent + security deposit (plus any fees).
- A common guideline keeps rent near or below about 30% of gross income.
- **Renters insurance** covers your belongings; the landlord's policy covers the building.
- **Buying** adds a down payment, closing costs, property tax, insurance, and repairs to the mortgage payment.

Watch out: a security deposit is refundable if the unit is left in good condition; it is not rent.

2.5 Consumer protection and scams

Warning signs: pressure to act now, payment by gift card or wire, requests for passwords or account numbers, and offers that sound too good to be true. Read a contract before signing; know the return policy and warranty.

Watch out: a legitimate bank or agency will not ask you to "verify" your password by text or email.

16) Camila Reyes invests $300 in an S&P 500 index fund, which permits fractional shares, on the same day of each month for three months. The share price was $50, then $30, then $20. What was the average cost per share actually paid?

(A) $33.33
(B) $29.03
(C) $50.00
(D) $20.00

17) Lena Novak reviews the retirement plan statement below.

Ironwood Brewing retirement plan	Lena Novak	Amount
Employee deferral, year to date		$15,800
Employer match, year to date		$7,900
Investment earnings, year to date		$410
Remaining employee room for the year		_____

Using the 2026 contribution limit in the reference figures, how much more may Lena defer from pay this year?

(A) $8,700
(B) $800
(C) $15,800
(D) $24,500

18) Which statement correctly contrasts an exchange-traded fund (ETF) with a traditional mutual fund?

(A) ETF shares trade all day at market prices; mutual fund orders are filled once a day at the closing price
(B) An ETF holds one company's stock, while a mutual fund holds many
(C) Mutual funds are FDIC-insured, but ETFs are not
(D) ETFs cannot lose value because they track an index

19) Diego Herrera buys three things and the printer runs out of ink part way down the receipt.

Sandoval Pet Supply	receipt	Amount
a bag of birdseed		$12.99
a paint roller		$6.25
a tension rod		$52.75
Subtotal		**$71.99**
Sales tax at 7.25%		_____
Total		_____

Assume only the California statewide sales tax of 7.25% applies. What should the total at the bottom be?

(A) $72.06
(B) $77.21
(C) $71.99
(D) $5.22

20) Nora Evans of Pasadena reads the coverage section of her auto policy's declarations page.

Coverage	Limit or deductible
Bodily injury liability	$30,000/$60,000
Property damage liability	$15,000
Collision	$1,000 deductible
Comprehensive	$250 deductible

In a windstorm, a tree branch falls on her parked car, and the covered repair costs $1,700. How much will her insurer pay?

(A) $700
(B) $1,700
(C) $1,450
(D) $0

21) Money that will be needed in about eighteen months is usually held

(A) wherever last year's return was highest
(B) in a single company's shares
(C) in cash or short-term savings, where the value does not move much
(D) mostly in stocks, for the higher expected return

22) An employer offers direct deposit. What is its main advantage for the worker?

(A) It lets the employer see and manage the worker's account
(B) Pay arrives in the account automatically and is available quickly
(C) It guarantees the account will never be charged a monthly fee
(D) It raises the worker's pay

23) Monthly debt payments total $690 and gross monthly income is $3,200. What is the debt-to-income ratio?

(A) 27.5%
(B) 463.8%
(C) 2.16%
(D) 21.6%

24) Kayla signs her name on the back of a paycheck made out to her. What does this endorsement do?

(A) It cancels the check
(B) It confirms that she has paid the taxes on the income
(C) It guarantees that the check will not bounce
(D) It lets the check be deposited or cashed

25) How often may a consumer obtain a credit report from each of the nationwide credit bureaus at no charge?

(A) Only after being turned down for credit
(B) Only by paying a monitoring service each month
(C) Once a week from each of the three, at AnnualCreditReport.com
(D) Never; reports are released only to lenders

26) Hana Kobayashi is paid every two weeks and will receive 26 paychecks this year. She sets up her direct deposit so that $180 of each paycheck goes straight into savings. Will she reach her goal of $4,500 in savings by the end of the year?

(A) No, she falls short by $180
(B) No, she falls short by $2,340
(C) Yes, with $180 to spare
(D) Yes, with $4,860 to spare

27) After a data breach exposed her Social Security number, what step makes it hardest for someone to open new credit accounts in her name?

(A) Paying for a new Social Security number right away
(B) Closing her checking account
(C) Changing her email address
(D) Placing a free credit freeze with each of the three credit bureaus

28) On a fixed-rate mortgage, what happens to the monthly principal-and-interest payment?

(A) It goes down each year as the balance falls
(B) It rises each year to keep up with inflation
(C) It changes every month with market rates
(D) It stays the same for the life of the loan

29) A student's statement shows $612.40, and her register shows $580.40. After she subtracts a $36.00 check that has not cleared, the bank figure is $576.40, which is $4.00 lower than her register. The statement lists a $4.00 paper-statement fee. What should she do?

(A) Add $4.00 to her register so it matches the bank
(B) Report a $4.00 error to the bank, since the bank figure is lower
(C) Subtract the $4.00 fee in her register, which makes the two figures match
(D) Add the $36.00 check back into her register

30) Isabel Cruz of Santa Ana paid a contractor $9,000 for work that was never done. In California small claims court an individual may sue for up to $12,500. What is true if she files there?

(A) She must hire a lawyer, because the claim is over $5,000
(B) She cannot file, because small claims is limited to $2,500
(C) She can present her own case, but she cannot have a lawyer with her in court
(D) She can sue only if the contractor lives in her city