HIGH SCHOOL

KANSAS 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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Saving, borrowing, and budgeting

- Deposit insurance: generally $250,000 per depositor, per insured institution, per ownership category.
- 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).
- 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

- Health claims: the deductible is paid first, then coinsurance applies to what is left, until the out-of-pocket maximum is reached.
- 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.

Kansas facts (2026)

- State income tax (single filer): 5.2% on the first $23,000 of taxable income and 5.58% above that.
- Minimum wage: $7.25 an hour (the federal rate).
- Statewide sales tax 6.5%; state rate on groceries 0% since 2025 (local taxes can add more).
- Minimum auto liability 25/50/25.
- State 529 college savings plan: Quest529.
- A state student-aid program: Kansas Comprehensive Grant.

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 core topics of personal finance, and together they cover every area on the Kansas tests (the areas are listed on page 2). A **Numbers and Formulas** card closes the review.

1 Earning Income
Pay stubs, taxes, benefits, and careers

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.

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

Annual from hourly: rate × 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
Budgets, consumer choices, cars, and housing

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 → $\$588 \div 6 = \$98$/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 × months).

Total cost of a lease = due at signing + (payment × 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.

3 Saving
Accounts, fees, interest, and goals

3.1 Accounts, fees, and protection

Checking	everyday payments; debit card, transfers
Savings	earns interest; for goals and emergencies
Overdraft	spending more than the balance; often triggers a fee
Deposit insurance	FDIC (banks) or NCUA (credit unions): generally $250,000 per depositor, per insured institution, per ownership category

Emergency fund: commonly three to six months of essential expenses.

Watch out: deposit insurance protects deposits if the institution fails; it does not cover investments or theft from your own mistakes.

3.2 Simple and compound interest

Simple: $I = Prt$. $2,000 at 4% for 3 years $\rightarrow$ $240.

Compound: $A = P(1 + r/n)^{nt}$: interest earns interest.

Rule of 72: years to double $\approx 72 \div$ rate; at 6%, about 12 years.

APY includes compounding, so compare savings accounts by APY.

Watch out: write the rate as a decimal: 4% = 0.04, not 4.

4 Investing
Risk and return, funds, and retirement accounts

4.1 Risk, return, and diversification

Stock	a share of ownership; higher expected return, higher risk
Bond	a loan to a company or government; pays interest
Mutual fund / ETF	many investments in one; built-in diversification
Index fund	tracks a market index at low cost

Diversification spreads money across many investments so one loss hurts less. A longer time horizon lets an investor ride out swings.

Watch out: higher expected returns generally require accepting greater risk; a promise of guaranteed high returns is a red flag.

Use the information below. Then answer questions 19–21.

A Monthly Budget

The budget below covers one month. Net pay is $2,720. Car insurance is billed at $588 every six months. The monthly sinking-fund amount is left blank for you to find.

Budget line	Amount
Rent	$925
Utilities	$118
Phone	$45
Gas and transit	$165
Groceries	$330
Car payment	$320
Car insurance (monthly set-aside)	_____
Needs total	**$2,001**
Wants total	$260
Left for saving	_____

19) *Use the monthly budget to answer this question.*

In this $2,720 net-pay budget, what monthly set-aside covers the $588 six-month insurance premium?

(A) $98.00 (B) $49.00
(C) $588 (D) $196.00

20) *Use the monthly budget to answer this question.*

In this $2,720 net-pay budget with $925 rent, what share goes to needs?

(A) 7.36% (B) 73.6%
(C) 9.6% (D) 135.9%

21) *Use the monthly budget to answer this question.*

After $2,001.00 in needs and $260 in wants, how much of the $2,720 net pay remains for saving?

(A) $260 (B) $459.00
(C) $719.00 (D) $544.00

22) A Kansas man forgot about a savings account he opened in Emporia years ago. After years with no activity, the bank reported it as unclaimed property. Where does the money go, and how can he get it back?

(A) The bank keeps it for good after one year of no activity
(B) The IRS holds it until he files an amended federal return
(C) The Kansas State Treasurer holds it, and he can claim it free
(D) He can recover it only by paying a finder's fee of 25%

23) An emergency fund is being built for the first time. Where does that money belong?

(A) In a five-year certificate of deposit at the highest rate
(B) On a credit card kept unused for emergencies
(C) In a stock index fund, so it grows while it waits
(D) In a savings account that can be reached the same day without a penalty

24) A college student starts delivering food in the evenings with his own car through a delivery app. His personal auto policy excludes using the car to carry people or goods for a fee. What is the biggest insurance risk if he makes no changes?

(A) His premium will rise, but any crash during a delivery will still be covered as usual
(B) The app's insurance fully replaces his personal policy whenever he is working
(C) Only drivers who carry passengers are at risk, since he carries food and not people
(D) A crash during a delivery may be denied by his insurer, leaving gaps the app's coverage may not fill

25) A cardholder paid only part of last month's credit card statement balance, so she is carrying a balance into this month. She then buys $200 of groceries with the card. Under a typical card agreement, when does interest start on the $200?

(A) Only after the next due date passes without the $200 being paid
(B) Never, as long as she pays at least the minimum payment each month
(C) Usually on the purchase date, because the grace period is lost while a balance is carried
(D) Only on any part of the $200 that she has not repaid within 30 days

26) What happens if you make extra payments toward the principal of an installment loan?

(A) You can reduce the total interest paid, if the loan has no prepayment penalty
(B) The extra money is applied only to next month's interest
(C) The monthly payment drops right away on every loan
(D) The lender must refund the interest you already paid

27) Why does a car loan usually carry a lower interest rate than a credit card?

(A) The car usually gains value over time, which protects the lender
(B) Credit cards are not regulated
(C) It is secured by collateral the lender can repossess
(D) Car buyers have higher credit scores

28) How is compound interest different from simple interest?

(A) Compound interest is earned only on the original deposit
(B) Compound interest applies only to loans, not to savings
(C) Compound interest earns interest on both the principal and the interest already earned
(D) Compound interest never earns anything on the principal

29) All investors together own the whole market. What follows from that?

(A) As a group they earn the market's return before costs, and less after them
(B) Active managers as a group beat the index
(C) Every investor earns the market's return exactly
(D) Fees have no effect on the group's result

30) Amara Okafor, who lives in Manhattan, is paid the same gross amount every period at Silverlake Recording. The earnings statement below is for the current period.

Silverlake Recording	**Amara Okafor**	**Amount**
Gross pay, this period		$816.00
Gross pay, year to date		$13,872.00
Federal income tax, this period		$67.00
Social Security, this period		$50.59
Medicare, this period		$11.83
Net pay, this period		$686.58

How many pay periods has Amara been paid so far this year?

(A) 16 (B) 26
(C) 18 (D) 17

31) What does a renters insurance policy mainly cover?

(A) Damage to the building's structure
(B) The tenant's personal belongings and personal liability
(C) Rent payments if the tenant loses a job
(D) Loss of a car parked outside