HIGH SCHOOL

NORTH CAROLINA 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.

North Carolina facts (2026)

- State income tax: flat 3.99%.
- Minimum wage: $7.25 an hour (the federal rate); employers may pay tipped workers a cash wage of $2.13 if tips make up the difference.
- Statewide sales tax 4.75%; counties add 2% to 2.75%, and groceries are exempt from the state rate but taxed at a 2% local rate.
- Minimum auto liability 50/100/50.
- State 529 college savings plan: NC 529 Plan.
- A state student-aid program: Next NC Scholarship.

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 North Carolina 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.

20) Tenzin Dorje, a Hickory resident, is a regional sales director whose wages year to date are $182,700. The next semimonthly check is $7,500.00 of gross pay. Using the reference figures for 2026, what is the Social Security withholding on that check?

(A) $465.00
(B) $111.60
(C) $108.75
(D) $573.75

21) Siobhan O'Neill receives the monthly checking statement below. The maintenance fee is waived for accounts that receive a direct deposit, and this institution's own machines are free to use.

Meridian Community Bank	Siobhan O'Neill	Amount
Beginning balance		$1,338.90
Deposits		$1,420.00
Withdrawals and card purchases		$1,180.00
Monthly maintenance fee		$5.00
Out-of-network ATM fees	$2 \times \$3.00$	$6.00
Ending balance		**$1,567.90**

What would the ending balance have been with the direct deposit set up and no out-of-network withdrawals?

(A) $1,572.90
(B) $1,573.90
(C) $1,567.90
(D) $1,578.90

22) Yusuf Demir buys three things at Gate City Market in Greensboro, and the printer runs out of ink part way down the receipt.

Gate City Market	receipt	Amount
a phone case		$18.99
a desk fan		$24.50
a bag of coffee (grocery)		$11.60
Subtotal		**$55.09**
Sales tax		_____
Total		_____

In Guilford County the combined state and county sales tax rate is 6.75% (use this rate). Groceries are exempt from the state rate but taxed at a 2% local rate. What should the total at the bottom be?

(A) $58.81
(B) $57.16
(C) $58.26
(D) $55.09

23) What does a credit freeze do?

(A) It blocks new lenders from pulling your credit file, so new accounts cannot be opened
(B) It stops you from using your existing credit cards
(C) It closes your existing accounts
(D) It erases late payments from your credit report

24) An hourly worker is scheduled anywhere from 18 to 30 hours a week, depending on the week. To plan for fixed bills such as rent and a phone plan, which weekly hours estimate is safest?

(A) About 18 hours, the low end of his usual schedule
(B) About 30 hours, the most he is usually scheduled
(C) About 24 hours, the average of his usual range
(D) Whatever he worked last week, updated each week

25) During a recession, which change is most likely?

(A) GDP grows faster than usual
(B) Interest rates on loans rise sharply
(C) Unemployment rises as businesses cut production
(D) Unemployment falls as businesses hire

26) Fatima Al-Mansouri invests \$150 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 \$15, then \$30, then \$25. What was the average cost per share actually paid?

(A) \$15.00
(B) \$21.43
(C) \$30.00
(D) \$23.33

27) Lucia Fernandes earns a \$48,000 salary. Her employer pays \$6,500 a year toward her health insurance and matches her 3% 401(k) contribution with another 3% of salary. Not counting payroll taxes the employer is required to pay, what is her total yearly compensation?

(A) \$57,380
(B) \$55,940
(C) \$54,500
(D) \$49,440

28) A borrower needs \$6,000 for 24 months. Loan A has a 10% interest rate, no fees, and payments of \$276.87. Loan B has an 8% interest rate, payments of \$271.36, and a \$250 origination fee paid up front. Which loan costs less in total, and by about how much?

(A) Loan B, by about \$132.24
(B) Loan B, by \$5.51 a month
(C) Loan A, by about \$117.76
(D) Loan A, by about \$250

29) Rania Haddad of Asheville is under 50 and has put $2,400 into a traditional IRA and $1,500 into a Roth IRA this year. The accounts have also gained $340 in value. Using the reference figures for 2026, how much more may Rania contribute this year?

(A) $11,100
(B) $5,100
(C) $3,600
(D) $3,260

30) Deshawn Porter is buying a home and will wire $24,000 for closing. Two days before closing, an email that appears to come from the title company says the wiring instructions have changed and gives a new account number. What should he do before sending money?

(A) Send the wire, since the email includes his correct closing date and address
(B) Call the title company at a phone number he already had, not one from the email, to confirm the instructions
(C) Reply to the email and ask whether the new instructions are correct
(D) Send the wire and ask his bank to reverse it if something goes wrong

31) The price of coffee rises sharply. What is likely to happen to demand for tea, a substitute?

(A) It increases, as some coffee drinkers switch to tea
(B) It decreases, because all drink prices rise together
(C) It stays the same, because the goods are unrelated
(D) The supply of tea falls

32) Tariq Nasser owns a bond that pays 3% interest a year. Since he bought it, newly issued bonds of the same quality and maturity pay 5%. If he sells his bond before it matures, what is most likely true?

(A) He will get more than its face value because rates went up
(B) He will get less than its face value, since buyers can earn more on new bonds
(C) He will get exactly its face value, because bond prices do not change
(D) His bond will start paying 5% interest to match new bonds

33) A debt settlement company tells a borrower with $9,000 of credit card debt to stop paying her cards and instead make monthly deposits into an account the company controls, promising to settle the debts later for much less. Which risk is most important to understand before agreeing?

(A) The company will usually charge a high APR on the money in the account
(B) Settling debts has no effect on her credit report once the deals are made
(C) She will lose the right to ever contact her creditors directly again
(D) While she stops paying, late fees, collection efforts, and credit damage pile up, with no guarantee the card companies will settle