HIGH SCHOOL

NORTH DAKOTA

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 Dakota facts (2026)

- State income tax (single filer, 2026): 0% on taxable income up to $49,575, 1.95% up to $250,400, and 2.5% above that.
- Minimum wage: $7.25 an hour (the federal rate); employers may pay tipped workers a cash wage of $4.86 if tips make up the difference.
- Statewide sales tax 5% (local taxes can add more); groceries are exempt.
- Minimum auto liability 25/50/25, plus required no-fault benefits of $30,000 and uninsured and underinsured motorist coverage.
- State 529 college savings plan: College SAVE.
- A state student-aid program: North Dakota 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 Dakota 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.

19) North Dakota lets a single filer deduct up to $5,000 a year of contributions to College SAVE, the state's 529 plan. Jacob Moen of Mandan, single, contributes $6,000 and pays North Dakota tax at 1.95% on his top dollars of income. How much North Dakota tax does the deduction save him?

(A) $97.50
(B) $117.00
(C) $5,000.00
(D) $0.00

20) What makes the Bank of North Dakota, in Bismarck, unusual among U.S. banks?

(A) It is the only bank without deposit insurance rules
(B) It is the only bank in the country owned by a state, and it holds state funds and partners with local banks
(C) It is a branch of the Federal Reserve
(D) It is owned by its customers like a credit union

21) Nia Thompson may relocate after about 10 months. Offer A pays $52,000 plus a $3,000 signing bonus that must be repaid if she leaves within 12 months. Offer B pays $54,000 with no bonus. If she leaves after 10 months, about how do the offers compare in pay she keeps?

(A) Offer A is $1,000 ahead
(B) Offer B is about $1,667 ahead
(C) Offer A is about $1,333 ahead
(D) Offer B is $2,000 ahead

22) What do credit card balance transfer offers commonly charge?

(A) A 10% penalty like an early retirement withdrawal
(B) A fee, often 3% to 5% of the amount transferred
(C) Nothing, because federal law bans transfer fees
(D) Sales tax on the amount transferred

23) Which pairing of an action with its risk-management strategy is correct?

(A) Installing smoke detectors – transfer
(B) Paying for small phone repairs from savings – avoidance
(C) Buying renters insurance – retention
(D) Deciding not to buy a motorcycle because of its crash risk – avoidance

24) Thabo Molefe, a Watford City resident, receives the electric bill below.

Piedmont Municipal Light — **monthly bill**	**Amount**
Electricity used	880 kWh
Energy charge at \$0.14 per kWh	\$123.20
Monthly service charge	\$9.50
Amount due	**\$132.70**

If next month's use falls by 120 kWh and nothing else changes, what will the amount due be?

(A) \$114.60
(B) \$106.40
(C) \$115.90
(D) \$99.10

25) Amara Okonkwo applies for a credit card and is turned down. A week later she receives a letter saying the application was denied based partly on information in her credit report from one named credit bureau. What does this notice entitle her to?

(A) Automatic approval if she applies again after 60 days
(B) Removal of the hard inquiry made for this application
(C) A reversal of the denial if she disputes the lender's decision
(D) A free copy of that bureau's report if she asks for it within 60 days

26) A government report shows that workers with a bachelor's degree have higher median weekly earnings than workers with only a high school diploma. Which conclusion is most reasonable?

(A) Every bachelor's degree holder earns more than every high school graduate
(B) A degree is worth it at any price because it raises earnings
(C) A degree tends to raise earnings, but the payoff varies with the field, the cost, and whether the student finishes
(D) The median shows what each graduate will earn in the first job

27) A new assistant manager is told, "You are on salary, so you do not get overtime." Which statement best describes the federal overtime rules?

(A) The manager is right, because every salaried worker is exempt from overtime
(B) Exempt status depends only on the job title the employer chooses
(C) Only workers earning less than the federal minimum wage are owed overtime
(D) Being paid a salary is not enough by itself; an exempt job generally must also meet a minimum salary level and specific job-duties tests

28) Hiroshi Tanaka buys three things at Red River Supply in Fargo, and the printer runs out of ink part way down the receipt.

Red River Supply	**receipt**	**Amount**
a snow brush		$12.99
a pair of work gloves		$18.50
a bag of flour (grocery)		$5.25
Subtotal		**$36.74**
Sales tax		_____
Total		_____

Suppose the combined state and local sales tax rate at this store is 7.5% (use this rate). North Dakota does not tax groceries. What should the total at the bottom be?

(A) $39.10 (B) $39.50
(C) $38.31 (D) $36.74

29) Lina Ortiz, a Wahpeton resident, has a steady job, $3,000 in savings, and no other emergency money. She wants to start investing in stocks. What does common financial guidance suggest she do first?

(A) Invest all $3,000 now, since stocks always recover within a year
(B) Wait until she can afford to buy at least 100 shares at once
(C) Build an emergency fund so she will not have to sell stocks during a downturn
(D) Buy individual stocks first, because funds are only for large investors

30) Ellie Berg of Grand Forks, 22, is in the 12% federal bracket and expects her pay, and her tax bracket, to rise a lot over her career. For the $2,000 she will put into an IRA this year, which choice best fits her situation?

(A) A traditional IRA, since a deduction is always worth more than tax-free withdrawals
(B) A Roth IRA, since she pays tax now at a low rate and qualified withdrawals later are tax-free
(C) Neither, since IRAs are only for workers over 30
(D) A traditional IRA, since Roth accounts cannot hold stock funds

31) Hail damages Aaron Lind's roof in Bismarck. His homeowners policy has $250,000 of dwelling coverage and a wind and hail deductible of 2% of the dwelling coverage. The roof repair costs $14,000. How much does the insurer pay?

(A) $13,720 (B) $9,000
(C) $14,000 (D) $5,000