

## Week 3 Practice Questions (1 -20)

### Financial Capacity and QuickBooks

1. The Community Reinvestment Act (CRA) is a law intended to encourage commercial banks to help meet the credit needs of the communities where they operate, including low- and moderate-income (LMI) neighborhoods. The CRA performance of large commercial banks, such as Woodforest National Bank, is rated under three CRA categories: **Lending**, \_\_\_\_\_, and **services**, whereas the performance of smaller commercial banks is primarily measured by their lending activities.

- a) savings accounts
- b) investment
- c) checking accounts

2. The Office of the Comptroller of the Currency (COO), the Federal Deposit Insurance Corporation (FDIC), and the Fed produce the CRA ratings of commercial banks. These CRA ratings are a determining factor when commercial banks submit applications for mergers, acquisitions, or branch openings. For example, to receive consideration under the CRA, **services activities** must have a primary purpose consistent with the definition of **community development**. The five CRA-eligible **community development service activities** include: (1) Low-Moderate Income "Services," (2) Economic Development, (3) Housing, (4) \_\_\_\_\_, (5) Disaster Recovery.

- a) Investments
- b) Community services
- c) Revitalization and Stabilization

3. Which of the following is NOT the examples of Woodforest National Bank's community development services activities?

- a) Providing credit counseling, homebuyer or home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing; which may include credit counseling to assist low- and moderate-income borrowers to avoid foreclosure on their homes
- b) Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving low- and moderate-income housing or economic revitalization and development needs.
- c) providing programs that enhance existing businesses and create new venture opportunities with a special focus on job creation and workforce development, advancing entrepreneurship and innovation, and promoting entrepreneurial ecosystem

4. Of the four financial management basics to success, which is the asset able to provide business collateral and most able to assist entrepreneurs with loan approval?

- a) Fixed Assets
- b) Current Assets
- c) Intangible Assets

5. ( ), the most important basic financial management understanding for small businesses, is used as a “financial report/statement” for the purpose of setting goals/budget, and ultimately knowing your company’s profitability?
- Balance Statement
  - Cash flow Statement
  - Profit and Loss Statement
6. Which of the following CORRECTLY lays out 10 basic bookkeeping steps in proper order?
- Obtain business accounting software– pay yourself with owner’s draw – reconcile your checking account- pay business expenses- generate and use a profit and loss statement
  - Obtain business accounting software – track sales – obtain a spate business credit card – pay business expenses – pay yourself with owner’s draw
  - Obtain business accounting software – track sales – pay account payables – pay yourself with owner’s draw – generate and use a profit and loss statement
7. A simple definition of cash flow is the balance of cash received less the amount of cash paid out over a period of time. Which of the following is one that is essential component for proper cash flow management?
- A minimal owner draw out of the net profit
  - Projecting whether cash receipts will be sufficient to cover projected cash disbursements
  - Keeping a minimal inventory for sales
8. What is the Profit and Loss formula that we use in our everyday life, but also in business?
- $\text{Sales} - \text{Cost of Goods Sold} - \text{Overhead} + \text{Depreciation} = \text{Net Profit}$
  - $\text{Sales} - \text{Cost of Goods Sold} = \text{Gross Profit} - \text{Overhead} = \text{Net Profit.}$
  - $\text{Sales} - \text{Cost of Goods Sold} - \text{Profit Margin} = \text{Net Prot.}$
9. For a single owner firm or a partnership firm, net profits (NOT revenues) pays for \_\_\_\_\_.
- Business interest payments
  - Owner’s draw
  - Property taxes
10. Which of the following is REMOTELY related to the Community Development Financial Institutions (CDFI) Fund?
- U.S. Treasury Department -sponsored funds
  - Tailored financial resources that invest federal dollars alongside private sector capital
  - A part of the Federal Deposit Insurance Corporation (FDIC)
11. With a budget and understanding of your profitability in hand, there are the three types of agencies that an entrepreneur can apply for a business loan to: Bank, Regional Lending Organization, and \_\_\_\_\_.
- FDIC

- b) CDFI
- c) HUD

12. Is it possible to have a business loan that impacts your personal debt to income ratio that will have no impact your ability to buy items on credit personally?

- a) Yes
- b) No

13. Most rent payments are not being reported to the credit bureaus. As a result, a renter can make on-time rent payments for years and still find themselves with little or no credit and no dream of owning a home. Under the Section 8 voucher program, if your monthly adjusted income is \$1,850, you will pay for the gross rent for the unit minus ( ) of monthly adjusted income.

- a) 40%
- b) 30%
- c) 50%

14. Ms. Seidda Hines, a mortgage loan originator, also known as a mortgage broker or mortgage banker, is responsible for reviewing the entire financial background of the borrowers to determine whether they make good candidates to borrow money. This involves running a credit report, determining the applicant's (\_\_\_\_\_), communicating with the lending institution as to the borrower's creditworthiness and determining an appropriate interest rate and loan terms. This position encompasses the roles of loan broker and underwriter and encapsulates these duties into one job description.

- a) Amount of sweat equity
- b) Debt-to-income ratio
- c) Amount of liability

15. Ms. Seidda Hines lays out a 3-step approach of property development.

Step 1: Acquisition – The act of gaining ownership or control of real property (real estate) or an interest in real property.

Step 2: Construction – the building of something or replacing old with new.

Which of the following is Step 3?

- a) Step 3: Reinvestment – an act of your initial property reinvestment in the other properties
- b) Step 3: Securitization – a process of turning undeveloped property over a regional land bank corporation or a Redevelopment Authority
- c) Step 3: Exit Strategy – a planned approach to get rid of real property in a way that will maximize benefits or make an impact.

16. QuickBooks, accounting software, can be used by individuals and business to carry out except one:

- a) To organize financial accounts in one place
- b) To help in accounting, bookkeeping and managing your income and expenses
- c) To access to built-financial ratios such as profitability ratios, liquidity ratios, turnover ratios,

leverage ratios, and market price ratios

17. The Chart of Accounts in QuickBooks is the core of your accounting system. It lists all the types of income and expenses you can expect to have along with all bank accounts, credit cards, loans and other sources of capital to be used. Which of the pulldown menus allows you to access to the Chart of Accounts in QuickBooks?

- a) Accountant
- b) View
- c) Lists

18. QuickBooks will not allow you to delete an account which has already been used. What alternative does QuickBooks allows you to block a redundant account?

- a) You can cut and paste the redundant account to the other account from the Accountant menu.
- b) You can inactivate the account by choosing Make Account Inactive from the Edit menu.
- c) You can merge the redundant account into an active another account from the Edit menu.

19. You can alter the chart of accounts in QuickBooks at anytime. However it's best to spend time creating an accurate list when you first create the file. When reviewed critically, your chart of accounts should meet the following three requirements. First, there should be no redundant accounts. When entering a transaction, it should be perfectly clear which account is to be used. Second, each account should be used for at least \_\_\_\_\_ transactions per year. If it is not then you should consider making the account more general. Third, the chart of accounts list should ideally print out on less than \_\_\_\_\_ pages. Longer lists are cumbersome to scroll through and often contain redundant accounts.

- a) 2; 3
- b) 5; 5
- c) 10; 3

20. If you've received payment for an invoice created in QuickBooks, you must record the payment against the appropriate invoice before depositing the money into the bank. You can access to "Receive Payments" in the following pulldown menu:

- a) Lists
- b) View
- c) Customers