

PFS Practice Test Questions and Answers

1. Which of the following is a refundable tax credit?

- A) Mortgage interest deduction
- B) Earned Income Tax Credit
- C) Charitable donation deduction
- D) Medical expense deduction

2. What is the main benefit of investing in index funds?

- A) High management fees
- B) Guaranteed returns
- C) Active trading advantages
- D) Broad market exposure at low cost

3. Which step comes FIRST in the risk management process?

- A) Risk financing
- B) Risk control
- C) Risk identification
- D) Risk transfer

4. What does diversification in a portfolio aim to reduce?

- A) Return
- B) Liquidity
- C) Systematic risk
- D) Unsystematic risk

Answers: 1-B 2-D 3-C 4-D

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