

Edmunds.com Car Buying Quiz

By [Philip Reed](#)

So you really think you're ready to go out and get a good deal on that new car you want? Before you head for the door, check out our car buyer's quiz to see if there are any gaps in your knowledge. It's better to find out now than when you are in the hot seat, ready to sign the contract and suddenly get that gnawing feeling that things just aren't right.

Give yourself one point for each right answer. You should score seven or higher. Otherwise, look out! (And no peeking at the answers.)

1) Define these three pricing terms:

Sticker price
Invoice price
Edmunds.com True Market Value[®] price

2) You call a dealership and ask for a quote on the car you want to buy. The salesman tells you his boss won't let him give prices over the phone. He urges you to "come on down and we'll work up some numbers." Your next move in this case is to:

- a) Hurry into the dealership before the salesman loses interest in you.
- b) Call another dealership and hope that a different salesman will give you a price.
- c) Solicit quotes over the Internet through a site such as Edmunds.com.

3) True or False: Incentives and rebates really have no effect on the price of a car. They are just another tactic to rope you into becoming a "today buyer."

4) In the following list, which financial term might irritate a car salesman if you use it in negotiations?

- a) Rebates
- b) Holdbacks
- c) Invoice price
- d) Sticker price
- e) Interest rate
- f) Down payment
- g) DMV fees

5) At a dealership you ask to see a specific car that you saw advertised in the newspaper at a great price. The salesman says that car has already been sold but he points out another model that seems very exciting. Soon you find yourself seriously considering this car instead. You have just been a victim of what sales tactic?

- a) "The old churn and burn."
- b) "Moving metal."
- c) "Bait and switch."

6) You call an Internet sales manager and ask for a price quote on a specific car. She says the car will be "about two hundred over invoice." Your next move should be:

- a) Ask to have the invoice and a "worksheet" (listing all the fees) faxed to you.
- b) Head to the car lot to close the deal.
- c) Arrange financing with your credit union.

7) True or False: When your credit is weak, you will always get the best interest rate from the car dealer.

8) You have negotiated aggressively for the car you want to buy and you've finally arrived at what seems like a good price. The salesman takes you to the finance manager who says he will draw up the contracts. You should:

- a) Relax now that the stress of negotiating is over.
- b) Make sure you keep your mouth shut and squint a lot.
- c) Keep your guard up because the crucial part of the process is beginning.

9) True or False: When it comes right down to it, the best way to shop for a car is to drive to the nearest dealership and walk the lot.

10) Finish this sentence as it applies to car buying: "Knowledge is _____."

Answers

1) You should know what each of these pricing terms mean because you will encounter them in your car-buying adventures.

- Sticker price — the price posted on the "window sticker." This is set by the factory and is, in most cases, high end of negotiations.
- Invoice price — this is roughly what the dealer has paid for the car and it constitutes the low end of negotiations. The dealer will try to get a certain amount of profit over the invoice price.
- Edmunds.com [True Market Value](#) (TMV) pricing — this is the average price at which most people are buying this car (and this price is adjusted for a number of conditions). TMV is a good deal for the consumer and it provides a fair profit for the dealer.

2) The correct answer is c) Solicit quotes over the Internet through a site such as Edmunds.com.

If you telephone a dealership and talk with a salesperson, they will probably refuse to give you a price over the phone. However, if you e-mail different dealerships, you will get a quote from some of them. Additionally, if you call a dealership and ask for the Internet manager, you will get a quote over the phone. Internet managers deal in volume, not high-profit individual deals.

3) False. If you shop carefully, and research [incentives and rebates](#) on Edmunds.com, you can save thousands of dollars. These can take the form of customer cash rebates (usually used as a down payment), dealer cash rebates (often hidden from the consumer, but listed on our site) and low-interest financing on car loans.

4) The correct answer is b) Holdbacks. The [holdback](#) is money paid by the manufacturer to dealerships to cover their cost of financing the cars until they are sold. This money is considered sacred to dealers who are looking for a way to turn a profit in a competitive market. However, knowing that the holdback is there might help you make a better deal — even without raising the issue directly.

Some of you might have also mentioned "invoice pricing." This used to be a hot button, but the good salespeople have become much more forthcoming about showing the invoice to customers.

5) "Bait and Switch." This is the practice of advertising a car at an unrealistically low price, then switching a customer to a different vehicle at a higher price.

6) The correct answer is a) Ask to have the invoice and a "worksheet" (listing all the fees) faxed to you. The invoice will show you exactly what options are on the car and what the dealer's cost is. Yes, you can get most of this information from Edmunds.com. But the dealership may have local charges that Edmunds can't track such as advertising fees. To flush out all the extra hidden expenses and fees, you should ask for a worksheet so that you can see what kind of extra fees you will pay, such as document and DMV fees. Once you have the invoice and the worksheet, and the numbers look good, you can close the deal over the phone — then head for the dealership to pick up your car.

7) False. You might get credit from a car dealer if your credit is weak, but you won't get the best interest rate. Dealers often mark up the interest rate to make a profit on the financing. They justify this by saying that you are a credit risk, and as such, are on a lower "credit tier." It's a good idea to know how strong your credit is before going to the dealership. For more information about credit scores read [Tips for Subprime Borrowers](#). You can also apply for credit through your credit union or an [on-line lender](#).

8) The correct answer is c) Keep your guard up because the crucial part of the process is beginning. The finance manager is really an experienced salesman who will continue trying to improve the profit that is built into this deal. You will have to make sure the terms of the deal you have agreed on with the salesperson are honored in the contract. You will also need to make sure there are no sudden extra charges. Finally, you will probably be asked to consider extended warranties and protection packages for your car. We recommend you say no to most of these offers.

9) False. If you walk the lot looking for a car to buy, you have no control over what salesperson you will deal with. You have to work with the first salesperson who approaches you. (Either that or create a stink, go to the sales manager and demand another salesperson.) If you telephone first, and ask for the Internet manager, you have a chance to test drive the salesperson. If you have a nice rapport and feel this is someone you want to do business with, make an appointment to go to the dealership in person. If you don't like this salesperson, call another dealership. You've wasted very little time this way and saved yourself some serious aggravation.

10) "Knowledge is power." Do your homework before you ever set foot on the car lot. This will help you find the car that is best for you, it could save you thousands of dollars and it will remove much of the stress of the sales encounter.