

Test Bank for Focus on Personal Finance 7th Kapoor

Focus on Personal Finance 7th Edition by Kapoor Ch01

Answers are located in the second half of this document.

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) Personal financial planning is the process of managing your money to achieve personal economic satisfaction.

- ☐ true
- ☐ false

Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

2) A financial plan is an informal report that analyzes past financial decisions.

- ☐ true
- ☐ false

Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

3) A financial plan can only be created using a money management software package.

- ☐ true
- ☐ false

Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

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4) Financial plans are only created by financial planners.

- ☐ true
- ☐ false

Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

5) The life situation of a household includes a combination of personal factors such as age, income, household size, and personal beliefs.

- ☐ true
- ☐ false

Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

6) The financial activities for a young, single person will probably be the same as those for an older couple with no dependent children at home.

- ☐ true
- ☐ false

Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

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Gradable : automatic

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- 7) Inflation is most harmful to people with incomes that are expected to increase.
- ☐ true
- ☐ false

Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

- 8) Inflation is a rise in the general level of prices and it reduces the buying power of the dollar.
- ☐ true
- ☐ false

Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

- 9) When prices are increasing at a rate of 4 percent, the cost of products will double in about 18 years.
- ☐ true
- ☐ false

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Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

10) As borrowing by consumers and businesses increases, interest rates are likely to decrease.

☐ true

☐ false

Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

11) Planned spending through budgeting is part of the "investing" component of financial planning activities.

☐ true

☐ false

Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

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Gradable : automatic

12) Retirement planning includes thinking about your housing situation, recreational activities, and possible volunteer or part-time work.

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- ☐ true
- ☐ false

Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

13) Short-term goals are usually achieved within the next year or so.

- ☐ true
- ☐ false

Question Details

Bloom's : Remember

Learning Objective : 01-02 Develop personal financial goals.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

14) Intermediate goals are usually achieved within the next year or so.

- ☐ true
- ☐ false

Question Details

Bloom's : Remember

Learning Objective : 01-02 Develop personal financial goals.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

15) Purchasing an appliance is an example of a consumable-product goal.

- ☐ true
- ☐ false

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Question Details

Bloom's : Understand

Learning Objective : 01-02 Develop personal financial goals.

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

16) Purchasing a car is an example of a durable-product goal.

- ☐ true
- ☐ false

Question Details

Bloom's : Understand

Learning Objective : 01-02 Develop personal financial goals.

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

17) Opportunity costs refer to money already spent.

- ☐ true
- ☐ false

Question Details

Bloom's : Remember

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 1 Easy

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

18) Personal opportunity costs refer to resources, such as time, health, and energy that are given up when a choice is made.

- ☐ true
- ☐ false

Focus on Personal Finance 7th Edition by Kapoor Ch01

Question Details

Bloom's : Understand

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 2 Medium

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

- 19)** Interest earned is calculated by multiplying the principal times the time value of money.
- ☐ true
 - ☐ false

Question Details

Bloom's : Understand

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 2 Medium

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

- 20)** Risks associated with many financial decisions are easy to identify and evaluate.
- ☐ true
 - ☐ false

Question Details

Bloom's : Understand

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

- 21)** \$500 on deposit at 6 percent for 6 months would earn \$20.
- ☐ true
 - ☐ false

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Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

22) There are only three methods of calculating time value of money.

- ☐ true
- ☐ false

Question Details

Bloom's : Understand

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 2 Medium

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

23) There are only three possible courses of action when developing alternatives for decision making.

- ☐ true
- ☐ false

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

24) Financial plans are created by individuals as well as by financial planners or by using a money management software package.

- ☐ true
- ☐ false

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Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

25) Inflation is most harmful to people with fixed incomes.

- ☐ true
- ☐ false

Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

26) An opportunity cost is what a person gives up when a choice is made.

- ☐ true
- ☐ false

Question Details

Bloom's : Remember

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 2 Medium

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

27) Short-term goals are usually achieved within three years.

- ☐ true
- ☐ false

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Question Details

Bloom's : Remember

Learning Objective : 01-02 Develop personal financial goals.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

- 28)** Risks associated with many financial decisions are difficult to identify and evaluate.
- ☐ true
 - ☐ false

Question Details

Bloom's : Understand

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

- 29)** A formalized report that summarizes your current financial situation, analyzes your financial needs, and recommends future financial activities is a(n):

- A) Insurance prospectus.
- B) Financial plan.
- C) Budget.
- D) Investment forecast.
- E) Bank Statement.

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Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

30) The major function of personal financial planning is to:

- A) Reduce taxes.
- B) Increase savings.
- C) Achieve personal economic satisfaction.
- D) Improve your credit rating.
- E) Obtain adequate insurance protection.

Question Details

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

31) An advantage of effective personal financial planning is:

- A) The use of low-interest savings.
- B) Increased impulse spending.
- C) Increased control of financial affairs.
- D) More credit card debt.
- E) Less monitoring of investments.

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Question Details

Bloom's : Understand

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Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

32) The stages in the family situation and financial needs of an adult is called the:

- A) Financial planning process.
- B) Budgeting procedure.
- C) Personal economic cycle.
- D) Adult life cycle.
- E) Tax planning process.

Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

33) Jim Johnson was laid off from his job two months ago. He just received an offer for a position that pays $\frac{3}{4}$ the salary of his old job. Why should he set up a financial plan?

- A) To increase the effectiveness of obtaining, using, and protecting his financial resources
- B) To decrease control of his financial affairs regarding debt
- C) To accept the loss of freedom from financial worries due to his new position
- D) To learn how to manage depending more on others
- E) To find out why he was laid off

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Question Details

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

34) The consumer price index measures:

- A) The prices of a fixed basket of goods and services in the United States.
- B) The prices of goods and services in rural areas across the globe.
- C) The average change in prices of a fixed basket of goods and services of urban consumers in the United States.
- D) The change in prices of a fixed basket of goods and services globally.
- E) The increase in prices for retail sales in the United States over a three-year period.

Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

35) The actual cost of living increase for a household will be:

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- A) Greater than the inflation rate as reported by the CPI since the index excludes the product or service with the highest inflation rate for the past 12 months.
- B) Lower than the inflation rate as reported by the CPI since the index excludes the product or service with the lowest inflation rate for the past 12 months.
- C) Equal to the inflation rate as reported by the CPI since it includes all products and services whether or not the prices have changed in the past 12 months.
- D) Either greater than or less than the inflation rate as reported by the CPI depending on the household's cost of necessities purchased.
- E) Zero since the CPI does not measure consumer price changes.

Question Details

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

36) The Rule of 72 is:

- A) A tool to determine the number of years until retirement for an employee.
- B) Used to estimate how fast prices will double using a given annual inflation rate.
- C) The legal code for requiring companies to provide a match on retirement savings.
- D) Used to calculate interest rates for savings.
- E) The number of steps required to complete a financial plan.

Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

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37) Who is less likely to be harmed by inflation?

- A) Retired people
- B) Lenders
- C) Borrowers
- D) Fixed-income consumers
- E) Financial regulators

Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

38) Increased consumer saving and investing is likely to be accompanied by:

- A) Lower union wages.
- B) Higher interest rates.
- C) Lower production costs.
- D) Lower interest rates.
- E) Higher inflation.

Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

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39) An investor should expect to receive a *risk premium* for:

- A) Higher interest rates.
- B) Lower consumer prices.
- C) Higher uncertainty about getting his/her money back.
- D) Reduced credit ratings.
- E) Expected lower inflation.

Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

40) Which of the following would increase the interest rate for a loan?

- A) Poor credit rating
- B) Higher down payment
- C) Expected lower inflation
- D) Lower consumer prices
- E) Short time to maturity

Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

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Topic : Finance and Economics

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Accessibility : Screen Reader Compatible

Gradable : automatic

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41) Patrick Guitman recently graduated from college with \$20,000 in student loans and \$5,000 in credit card debt. He usually makes minimum payments on his debt and he has been late with three payments in the last year. He wants to buy a new car but was told that his interest rate on a loan would be very high. What is the most likely reason this might be so?

- A) General interest rates are very low.
- B) His credit rating is below average due to missed payments.
- C) He already has a student loan outstanding.
- D) Recent graduates are not allowed to have more than \$25,000 in debt outstanding.
- E) Interest rates must be tied to the CPI.

Question Details

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

42) Attempts to increase income through employment are part of the _____ component of financial planning.

- A) obtaining
- B) planning
- C) saving
- D) borrowing
- E) spending

Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

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43) The 'borrowing' component in a financial plan relates to:

- A) Acquiring adequate insurance coverage.
- B) Investing for long-term growth.
- C) Setting up a budget.
- D) Obtaining financial resources from employment, investments or ownership.
- E) Maintaining control over credit-buying habits.

Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

44) The problem of bankruptcy is associated with overuse and misuse of credit in the _____ component of financial planning.

- A) sharing
- B) saving
- C) obtaining
- D) borrowing
- E) protecting

Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

45) The saving component of financial planning focuses on long-term security and includes:

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- A) A regular savings plan for emergencies.
- B) A current will.
- C) Bankruptcy counseling.
- D) A realistic budget for your current financial situation.
- E) Minimizing transportation expenses through careful planning.

Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

46) Which of the following *short-term* goals is stated most clearly using the SMART approach?

- A) A. Within the next 6 months, buy a car for less than \$15,000.
- B) B. Retire in 10 years at age 65 with \$2,000,000 in my 401(k) account.
- C) C. Purchase a house with a mortgage no greater than \$150,000 within 5 years.
- D) D. Set up an emergency fund.
- E) E. Invest \$50 per month for the next 12 years for my nephew's college fund.

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-02 Develop personal financial goals.

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

47) Which of the following *long-term* goals is stated most clearly using the SMART approach?

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- A) A. Buy a car for less than \$15,000 within 6 months.
- B) B. Retire in 10 years at age 65.
- C) C. Purchase a house with a mortgage no greater than \$150,000 within 5 years.
- D) D. Set up an emergency fund.
- E) E. Invest \$50 per month for the next 12 years for my nephew's college fund.

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-02 Develop personal financial goals.

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

48) Which of the following *intermediate goals* is stated most clearly using the SMART approach?

- A) A. Buy a car for less than \$15,000 within 6 months.
- B) B. Retire in 10 years at age 65 with \$2,000,000 in my 401(k) account.
- C) C. Purchase a house within the next 5 years with a mortgage no greater than \$150,000.
- D) D. Set up an emergency fund.
- E) E. Invest \$50 per month for the next 12 years for my nephew's college fund.

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-02 Develop personal financial goals.

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

49) Which of the following goals contains elements for implementation and measurement?

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- A) Put money into an investment fund.
- B) Reduce credit card debt.
- C) Save funds for an annual vacation.
- D) Save \$100 a month to create a \$2,400 emergency fund in 2 years.
- E) Spend less each month.

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-02 Develop personal financial goals.

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

50) The goal of investing \$50 per month for the next 12 years for your nephew's college fund is a(n) _____ goal.

- A) short-term
- B) intermediate
- C) long-term
- D) intangible
- E) durable

Question Details

Bloom's : Understand

Learning Objective : 01-02 Develop personal financial goals.

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

51) Many Americans have money problems because of:

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- A) Poor planning and weak money management habits.
- B) Too many clearly defined goals.
- C) Proper use of credit.
- D) Insufficient advertising to make effective decisions.
- E) Controlled spending.

Question Details

Bloom's : Understand

Learning Objective : 01-02 Develop personal financial goals.

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

52) Susan Smith has a goal of saving \$25 per month for a TV. Considering the SMART approach, Susan's goal lacks:

- A) Measurable terms.
- B) A realistic perspective.
- C) An action orientation.
- D) A specific objective.
- E) A time frame.

Question Details

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-02 Develop personal financial goals.

Topic : Financial Planning

Accessibility : Keyboard Navigation

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Gradable : automatic

53) Which of the following is correct?

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- A) A car purchase is a consumable-product goal.
- B) Entertainment is a durable-product goal.
- C) Appliances and sporting equipment are intangible-purchase goals.
- D) Leisure and education are durable-product goals.
- E) Food and clothing are consumable-product goals.

Question Details

Bloom's : Understand

Learning Objective : 01-02 Develop personal financial goals.

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

54) _____ goals relate to infrequently purchased, expensive tangible items.

- A) Short-term
- B) Intangible-purchase
- C) Durable-product
- D) Consumable-products
- E) Intermediate

Question Details

Bloom's : Understand

Learning Objective : 01-02 Develop personal financial goals.

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

55) To develop financial goals, one should:

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- A) Set several general goals for the short-term.
- B) Only set long-term goals after short-term goals have been accomplished.
- C) Focus on intermediate goals first.
- D) Identify specific, realistic goals that are measurable along with a time frame and an action plan.
- E) Not worry about whether or not the goals can be achieved based on one's income and life situation.

Question Details

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-02 Develop personal financial goals.

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

56) The goal of purchasing a long-term care insurance policy would be most appropriate for:

- A) A young couple without children.
- B) A single parent with a preschool daughter.
- C) An unmarried couple without children.
- D) An older single person with children.
- E) A young single individual.

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-02 Develop personal financial goals.

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

57) Opportunity cost refers to:

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- A) Money needed for major consumer purchases.
- B) What you give up by making a choice.
- C) The amount paid for taxes when a purchase is made.
- D) Current interest rates.
- E) Evaluating different alternatives for financial decisions.

Question Details

Bloom's : Remember

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 1 Easy

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

58) Robert Brown is interested in attending a concert next weekend. Unfortunately, he is scheduled to work. If he finds a substitute for his shift so he can attend the concert, what kind of cost is he incurring?

- A) Personal opportunity cost relating to health
- B) Personal opportunity cost relating to time
- C) Personal opportunity cost relating to abilities
- D) Personal opportunity cost relating to knowledge
- E) Unexpected personal opportunity cost

Question Details

Bloom's : Understand

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 2 Medium

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

59) Which of the following is an example of a financial opportunity cost?

Focus on Personal Finance 7th Edition by Kapoor Ch01

- A) Renting an apartment near school
- B) Forgoing wages to attend school
- C) Organizing income tax records
- D) Purchasing automobile insurance
- E) Using a personal computer for financial planning

Question Details

Bloom's : Understand

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 2 Medium

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

60) An example of a personal opportunity cost would be:

- A) Interest lost by using savings to make a purchase.
- B) Higher earnings achieved on savings that must be kept on deposit a minimum of six months.
- C) Wages lost due to continuing as a full-time student.
- D) Time spent comparing several brands of personal computers.
- E) Having to pay a tax penalty due to not having enough withheld from your monthly salary.

Question Details

Bloom's : Understand

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 2 Medium

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

61) Which of the following best describes the concept of the time value of money?

Focus on Personal Finance 7th Edition by Kapoor Ch01

- A) Personal opportunity costs such as time lost on an activity
- B) Financial decisions that require borrowing funds from a financial institution
- C) Changes in interest rates due to changes in the supply and demand for money in our economy
- D) Increases in amounts of money as a result of interest earned
- E) Changes to demographic trends in our society

Question Details

Bloom's : Remember

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 1 Easy

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

62) If I can invest a dollar today and earn interest on it, then it should be worth _____ in the future.

- A) less
- B) the same
- C) more
- D) either less or the same
- E) either the same or more

Question Details

Bloom's : Understand

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 2 Medium

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

63) To calculate the time value of money, we need to consider all of the following *except* the:

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- A) Amount of the savings.
- B) Annual interest rate.
- C) Length of time the money is on deposit.
- D) Type of investment.
- E) Principal.

Question Details

Bloom's : Understand

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 2 Medium

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

64) Future value computations are often referred to as:

- A) Discounting.
- B) Presenting.
- C) Compounding.
- D) Simple interest.
- E) Annuities.

Question Details

Bloom's : Remember

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 1 Easy

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

65) Present value computations are also referred to as:

Focus on Personal Finance 7th Edition by Kapoor Ch01

- A) Discounting.
- B) Forecasting.
- C) Compounding.
- D) Simple interest.
- E) Annuities.

Question Details

Bloom's : Remember

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 1 Easy

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

66) Steve Wilson wants to deposit \$150 per month into an account earning 4 percent for the next 3 years so he can purchase a used car at that time. What type of computation would he use to determine the amount he will have accumulated for his purchase?

- A) Present value of a single amount
- B) Future value of a single amount
- C) Simple interest
- D) Present value of an annuity
- E) Future value of an annuity

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

67) Rhonda Miller wants to take out a 4-year loan to purchase a car. What type of computation would she use to calculate her monthly payments?

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- A) Present value of a single amount
- B) Future value of a single amount
- C) Simple interest
- D) Present value of an annuity
- E) Future value of an annuity

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

68) Tim Taylor received a \$500 gift from his grandparents. He wants to invest this money for the down payment of a house that he plans to purchase in 3 years. What type of computation should he use?

- A) Present value of a single amount
- B) Future value of a single amount
- C) Simple interest
- D) Present value of an annuity
- E) Future value of an annuity

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

69) Jennifer Rodriguez plans to attend graduate school in 5 years. She thinks that she will need a total of \$32,000 to pay for school, and she wants to save money each month to reach her goal. What type of computation should she use?

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- A) Present value of a single amount
- B) Future value of a single amount
- C) Simple interest
- D) Present value of an annuity
- E) Future value of an annuity

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

70) Paul Davis wants to deposit a lump sum of money today for a vacation that he plans to take to Asia after he graduates from graduate school. Which formula should he use to determine the amount of money he will have available for his vacation?

- A) Present value of a single amount
- B) Future value of a single amount
- C) Simple interest
- D) Present value of an annuity
- E) Future value of an annuity

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

71) The first step of the financial planning process is to:

Focus on Personal Finance 7th Edition by Kapoor Ch01

- A) Develop financial goals.
- B) Implement the financial plan.
- C) Determine your current financial situation.
- D) Evaluate and revise the financial plan.
- E) Create a financial action plan.

Question Details

Bloom's : Remember

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

72) Making financial decisions related to income involves all of the following *except*:

- A) Spending.
- B) Saving.
- C) Sharing.
- D) Taking.
- E) Discounting.

Question Details

Bloom's : Remember

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

Focus on Personal Finance 7th Edition by Kapoor Ch01

73) Place the following steps for a personal financial plan in the proper order:

1. Review and revise the financial plan
2. Identify alternative courses of action
3. Create and implement your financial action plan
4. Determine your current financial situation
5. Evaluate alternatives
6. Develop your financial goals

- A) 6, 1, 2, 5, 3, 4.
- B) 4, 2, 6, 5, 3, 1.
- C) 3, 6, 4, 2, 5, 1.
- D) 4, 6, 2, 5, 3, 1.
- E) 6, 2, 5, 4, 1, 3.

Question Details

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

74) Every decision involves uncertainty, which is referred to as:

- A) Consequences of choices.
- B) Alternative courses of action.
- C) Financial goals.
- D) Personal values.
- E) Evaluating risk.

Focus on Personal Finance 7th Edition by Kapoor Ch01

Question Details

Bloom's : Remember

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

75) Changes in the cost of money is referred to as _____ risk.

- A) interest rate
- B) inflation
- C) income
- D) personal
- E) liquidity

Question Details

Bloom's : Remember

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

76) The rising or falling of prices that causes changes in buying power is referred to as _____ risk.

- A) interest rate
- B) inflation
- C) income
- D) personal
- E) liquidity

Focus on Personal Finance 7th Edition by Kapoor Ch01

Question Details

Bloom's : Remember

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

77) The loss of a job or encountering an illness results in _____ risk.

- A) interest rate
- B) inflation
- C) income
- D) liquidity
- E) personal

Question Details

Bloom's : Remember

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

78) The tangible and intangible factors that create a less than desirable situation is referred to as _____ risk.

- A) interest rate
- B) inflation
- C) income
- D) liquidity
- E) personal

Focus on Personal Finance 7th Edition by Kapoor Ch01

Question Details

Bloom's : Remember

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

79) The difficulty of converting savings and investments to cash is referred to as _____ risk.

- A) interest rate
- B) inflation
- C) income
- D) personal
- E) liquidity

Question Details

Bloom's : Remember

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

80) Changes in personal, social, and economic factors may require you to:

- A) Review and revise your financial plan more frequently.
- B) Implement your financial action plan.
- C) Develop your financial goals.
- D) Determine your current financial situation.
- E) Create your financial plan of action.

Focus on Personal Finance 7th Edition by Kapoor Ch01

Question Details

Bloom's : Understand

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

81) The step in the personal financial planning process that follows immediately after the step "Create and implement your financial action plan" is:

- A) Review and revise your financial plan.
- B) Identify alternative courses of action.
- C) Determine your current financial situation.
- D) Evaluate alternatives.
- E) Develop your financial goals.

Question Details

Bloom's : Understand

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

82) Using the services of financial institutions or financial specialists (such as insurance agents, certified financial planners or investment advisers) to seek relevant information is done in which step in the financial planning process?

- A) Develop your financial goals.
- B) Review and revise your financial plan.
- C) Determine your current financial situation.
- D) Evaluate your alternatives.
- E) Brainstorm a wishlist of goals.

Focus on Personal Finance 7th Edition by Kapoor Ch01

Question Details

Bloom's : Understand

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 2 Medium

Topic : Financial Planning

Topic : Financial Services and Institutions

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

83) If inflation is expected to be 8 percent, how long will it take for prices to double?

- A) 6 years
- B) 7 years
- C) 9 years
- D) 12 years
- E) 18 years

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

84) If a \$10,000 investment earns interest of \$500 in 1 year, what is its rate of return?

- A) 5 percent
- B) 10 percent
- C) 50 percent
- D) 75 percent
- E) 100 percent

Focus on Personal Finance 7th Edition by Kapoor Ch01

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

85) If a \$10,000 investment earns a 4 percent annual return, what should its value be after 1 year?

- A) \$100
- B) \$400
- C) \$4,000
- D) \$10,000
- E) \$10,400

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

86) If a \$10,000 investment earns a 7 percent annual return, what should its value be after 6 years? Use Exhibit 1-A.

- A) \$10,000
- B) \$10,700
- C) \$15,000
- D) \$15,010
- E) \$15,100

Focus on Personal Finance 7th Edition by Kapoor Ch01

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

87) If Melinda Miller estimates that her \$100 weekly grocery bill will increase at an annual inflation rate of 4 percent, what should her weekly grocery bill be in 3 years? Use Exhibit 1-A.

- A) \$100.00
- B) \$130.40
- C) \$112.50
- D) \$114.00
- E) \$121.60

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

88) If you deposit \$500 into a certificate of deposit earning 3 percent, what would be your earnings after 12 months?

- A) \$5.00
- B) \$15.00
- C) \$25.00
- D) \$30.00
- E) \$500.00

Focus on Personal Finance 7th Edition by Kapoor Ch01

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

89) Randy Hill wants to retire in 20 years with \$1,000,000. If he can earn 10 percent per year on his investments, how much does he need to deposit each year to reach his goal? Use Exhibit 1-B. **(Round your answer to the nearest dollar.)**

- A) \$17,460
- B) \$18,000
- C) \$5,727
- D) \$25,000
- E) None of these choices are correct.

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

90) If you begin saving \$2,000 a year at 5 percent (from age 22 to age 30 or 9 years), what will these funds grow to in this time period?

- A) \$2,000
- B) \$11,970
- C) \$18,000
- D) \$22,054
- E) \$30,500

Focus on Personal Finance 7th Edition by Kapoor Ch01

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

91) If you want \$1,000 in 3 years and you earn 4 percent on your savings, how much do you need to deposit now?

- A) \$885
- B) \$889
- C) \$1,000
- D) \$1,030
- E) \$1,040

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

92) If inflation is expected to be 9.70 percent, how long will it take for prices to double?

- A) 7.42 years
- B) 6.42 years
- C) 11.42 years
- D) 5.42 years
- E) 17.42 years

Focus on Personal Finance 7th Edition by Kapoor Ch01

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

93) If a \$10,000 investment earns interest of \$1,100 in 1 year, what is its rate of return?

- A) 76 percent
- B) 100 percent
- C) 11 percent
- D) 22 percent
- E) 56 percent

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

94) If a \$10,000 investment earns a 3 percent annual return, what should its value be after 1 year?

- A) \$3,000
- B) \$3,100
- C) \$10,030
- D) \$10,000
- E) \$10,300

Focus on Personal Finance 7th Edition by Kapoor Ch01

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

95) If a \$15,000 investment earns a 7 percent annual return, what should its value be after 5 years? Use Exhibit 1-A.

- A) \$20,250
- B) \$15,053
- C) \$16,050
- D) \$21,045
- E) \$20,050

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

96) If Melinda Miller estimates that her \$350 weekly grocery bill will increase at an annual inflation rate of 5 percent, what should her weekly grocery bill be in 4 years? Use Exhibit 1-A.

- A) \$140.00
- B) \$175.00
- C) \$425.60
- D) \$527.60
- E) \$434.70

Focus on Personal Finance 7th Edition by Kapoor Ch01

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

97) If you deposit \$500 into a certificate of deposit earning 3.9 percent, what would be your earnings after 12 months?

- A) \$539.00
- B) \$500.00
- C) \$22.00
- D) \$19.50
- E) \$17.00

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

98) Randy Hill wants to retire in 15 years with \$1,000,000. If he can earn 8 percent per year on his investments, how much does he need to deposit each year to reach his goal? Use Exhibit 1-B. **(Round your answer to the nearest dollar.)**

- A) \$36,830
- B) \$33,334
- C) \$66,667
- D) \$2,715
- E) None of these choices are correct.

Focus on Personal Finance 7th Edition by Kapoor Ch01

Question Details

Bloom's : Apply

Difficulty : 3 Hard

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

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Answer Key

Test name: 001

1) TRUE

2) FALSE

A financial plan is a formal report that summarizes your current financial situation, analyzes financial needs, and recommends future financial activities.

3) FALSE

A financial plan can be created on your own, you can seek assistance from a financial planner, or you may use a money management software package.

4) FALSE

Financial plans are created by individuals as well as by financial planners or by using a money management software package.

5) TRUE

6) FALSE

Specialized financial activities differ for a young, single versus an older couple without children.

7) FALSE

Inflation is most harmful to people with fixed incomes.

8) TRUE

9) TRUE

Use the Rule of 72: ($72/4 = 18$ years).

10) FALSE

As borrowing by consumers and businesses increases, it is more likely that interest rates will increase. Interest rates are the “price” for money and as the demand for something increases relative to supply, price for that thing will increase.

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11) FALSE

It is part of the "planning" activity.

12) TRUE

13) TRUE

14) FALSE

Intermediate goals have a time frame of 2 to 5 years.

15) FALSE

Purchasing an appliance is a durable-product goal.

16) TRUE

17) FALSE

An opportunity cost is what a person gives up when a choice is made to pursue a certain action.

18) TRUE

19) FALSE

Interest earned = principal (amount in savings) $\times$ annual interest rate $\times$ time period (in years).

20) FALSE

These risks are difficult to identify and evaluate.

21) FALSE

$\$500 \times 0.06 \times 6 \text{ mo}/12 \text{ mo} = \15 interest earned

22) FALSE

There are five methods for calculating time value of money: formula calculation, time value of money tables, financial calculator, spreadsheet software, and websites/apps.

23) FALSE

There are four possible courses of action when making decisions: continue the same course of action, expand the current situation, change the current situation, and take a new course of action.

24) TRUE

25) TRUE

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26) TRUE

27) FALSE

Short-term goals are usually achieved within the next year or so.

28) TRUE

29) B

30) C

31) C

32) D

33) A

34) C

35) D

36) B

37) C

38) D

39) C

40) A

41) B

42) A

43) E

44) D

45) A

46) A

The only clearly stated short-term goal listed is A. B and E are long-term goals. C is an intermediate goal. D is a short-term goal that is not measurable and does not have a time limit.

47) E

The only clearly stated long-term goal listed is E. A is a short-term goal. B is a long-term goal; however, it is not measurable. C is an intermediate goal. D is a short-term goal that is not measurable and does not have a time limit.

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48) C

The only clearly stated intermediate term goal listed is C. A is a short-term goal; B and E are long-term goals. D is a short-term goal that is not measurable and does not have a time limit.

49) D

50) C

51) A

52) E

53) E

54) C

55) D

56) D

See Exhibit 1-1 for specialized financial activities for various life situations.

57) B

58) B

59) B

60) D

Time is an important personal opportunity cost.

61) D

62) C

63) D

64) C

65) A

66) E

67) D

68) B

69) E

70) B

71) C

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72) D

73) D

74) E

75) A

Interest-rate risk affects the costs of borrowing and the benefits of saving or investing.

76) B

77) C

78) E

79) E

80) A

81) A

82) D

83) C

Rule of 72: $(72/8 = 9 \text{ years})$.

84) A

Solve for rate:

Principal $\times$ rate $\times$ time = interest

$(\$10,000 \times \text{rate} \times 1 \text{ year}) = \$500 \rightarrow \$10,000 \times \text{rate} = \$500 \rightarrow \text{rate} = \$500/\$10,000 = 0.05, \text{ or } 5\%$

85) E

Future value = principal + interest

$\$10,000 + (10,000 \times 0.04 \times 1 \text{ year}) = \$10,000 + \$400 = \$10,400$

86) D

Correct answer uses Exhibit 1-A (Future Value of \$1 after a Given Number of Time Periods).

$\$10,000 \times 1.501 = \$15,010.$

87) C

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Correct answer uses Exhibit 1-A (Future Value of \$1 after a Given Number of Time Periods).

$$\$100 \times 1.125 = \$112.50.$$

88) B

$$\text{Future value} = \$500 \times 0.03 \times 1 \text{ year} = \$15.00$$

89) A

Correct answer uses 10 percent for 20 periods in Exhibit 1-B table (Future Value of an Annuity).

$$\text{Future value} = \text{annual deposit} \times \text{factor} = \$1,000,000 = \text{annual deposit} \times 57.275$$

$$\text{Annual deposit} = \$1,000,000 / 57.275 = \$17,460 \text{ (rounded).}$$

This can also be solved using computer or calculator functions using the following variables:

N = 20, I = 10, PV = 0, FV = 1,000,000. Solve for PMT: \$17,460 (rounded).

90) D

Correct answer uses 5% for 9 periods in Exhibit 1-B (Future Value of an Annuity).

$$\$2,000 \times \text{factor } 11.027 = \$22,054$$

91) B

Correct answer uses 4% for 3 periods in Exhibit 1-C (Present Value of \$1 to Be Received at the End of a Given Number of Time Periods).

$$\$1,000 \times \text{factor } 0.889 = \$889$$

92) A

Rule of 72: $(72 / 9.70 = 7.42 \text{ years})$.

93) C

Focus on Personal Finance 7th Edition by Kapoor Ch01

Solve for rate:

Principal $\times$ rate $\times$ time = interest

$$(\$10,000 \times \text{rate} \times 1 \text{ year}) = \$1,100 \rightarrow \$10,000 \times \text{rate} = \$1,100 \rightarrow \text{rate} = \$1,100/\$10,000 = 0.11, \text{ or } 11\%$$

94) E

Future value = principal + interest

$$\$10,000 + (10,000 \times 0.030 \times 1 \text{ year}) = \$10,000 + \$300 = \$10,300$$

95) D

Correct answer uses Exhibit 1-A (Future Value of \$1 after a Given Number of Time Periods).

$$\$15,000 \times 1.403 = \$21,045.$$

96) C

Correct answer uses Exhibit 1-A (Future Value of \$1 after a Given Number of Time Periods).

$$\$350 \times 1.216 = \$425.60.$$

97) D

$$\text{Future value} = \$500 \times 0.039 \times 1 \text{ year} = \$19.50$$

98) A

Correct answer uses 8 percent for 15 periods in Exhibit 1-B table (Future Value of an Annuity).

$$\text{Future value} = \text{annual deposit} \times \text{factor} = \$1,000,000 = \text{annual deposit} \times 27.152$$

$$\text{Annual deposit} = \$1,000,000/27.152 = \$36,830 \text{ (rounded).}$$

This can also be solved using computer or calculator functions using the following variables:

N = 15, I = 8, PV = 0, FV = 1,000,000. Solve for PMT: \$36,830 (rounded).