

Personal Finance (FINA 200)

Quiz 1: Submission Review

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| Student ID: | [redacted] |
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| Started on: | 27/02/2014 3:10:51 PM |
| Completed on: | 27/02/2014 3:55:30 PM |
| Time taken: | 00:44:39 |
| Sections: | <ul style="list-style-type: none"> ● Chapter 1 : 0 / 0 ● Ch. 1 - Learning Objectives 1 and 2: 0 / 0.5 ● Ch. 1 - Learning Objective 3: 0.5 / 0.5 ● Ch. 1 - Learning Objectives 4 and 5: 0.5 / 0.5 ● Chapter 2: 0 / 0 ● Ch. 2 - Learning Objectives 1 and 2: 0.5 / 0.5 ● Ch. 2 - Learning Objective 3: 2 / 2 ● Ch. 2 - Learning Objective 4: 0.5 / 1 ● Chapter 3: 0 / 0 ● Ch. 3 - Learning Objective 1: 0.5 / 0.5 ● Ch. 3 - Learning Objective 2: 2.5 / 2.5 ● Ch. 3 - Learning Objective 3: 2 / 2 ● Chapter 5: 0 / 0 ● Ch. 5 - Learning Objectives 1 and 2: 1 / 1 ● Ch. 5 - Learning Objectives 3 and 4: 1 / 1 ● Ch. 5 - Learning Objective 5: 0.5 / 0.5 ● Chapter 6: 0 / 0 ● Ch. 6 - Learning Objective 1: 0.5 / 0.5 ● Ch. 6 - Learning Objective 2: 1 / 1.5 ● Ch. 6 - Learning Objectives 3, 4 and 5: 0.5 / 0.5 |
| Total Grade: | 13.5 / 15 (90%) |

Legend:

Your correct response is highlighted in **green**.

Your incorrect response is highlighted in **red**.

If you did not select the correct answer, it will be highlighted in **blue**.

Chapter 1

Question 1: Heather wishes to save \$50,000 for her child's education by investing in Canada Savings Bonds. What is missing in the statement of this financial goal?

(0.5 Point)

- a. It is not realistic.
- b. It is not measurable.
- c. It is not time specific.
- d. It is not action oriented.

Question 2: What was the rate of inflation in Canada through the first decade of the 21st century (2000 to 2009)?

(0.5 Point)

- a. 5% - 10%
- b. Below 5%.
- c. Over 15%.
- d. 10% - 15%.

Question 3: When you discount a stream of payments, what you are doing?

(0.5 Point)

- a. Calculating the required interest rate.
- b. Calculating their future value.
- c. Calculating the required payment.
- d. Calculating their present value.

Chapter 2

Question 4: Which are components of money management?

(0.5 Point)

- I. Maintaining personal documents and financial records.
- II. Developing an estate plan
- III. Creating personal financial statements.

- a. I and III, only.
- b. II and III, only.
- c. I, II and III.
- d. I and II, only.

Question 5: Given the following, what is the current ratio?

(0.5 Point)

| | | | |
|-------------------|----------|-----------------------|----------|
| Total liabilities | \$60,000 | Long-term liabilities | \$40,000 |
| Liquid assets | \$5,000 | Monthly expenses | \$2,500 |

- a. 0.250
- b. 0.125
- c. 0.080
- d. 2.000

Question 6: The inclusion of which could distort the cash inflow section of a Cash Flow Statement in any year?

(0.5 Point)

- a. After-tax investment income.
- b. Gross salary.
- c. Alimony.
- d. Gifts.

Question 7: To be conservative, how should personal possessions be valued on the personal balance sheet?

(0.5 Point)

- a. At their depreciated value.
- b. At their cost.
- c. At their fair market value.
- d. At their book value.

Question 8: Financial planners recommend a savings rate that represents what percent of gross income?

(0.5 Point)

- a. 20%
- b. 10%
- c. 5%
- d. 15%

Question 9: Which would influence your lifestyle and ultimate budget?

(0.5 Point)

- I. Career.
- II. Family size.
- III. Economic outlook.

- a. II and III, only.
- b. I and III, only.
- c. I, II and III.
- d. I and II, only.

Question 10: Which circumstances would dictate a higher emergency fund?

(0.5 Point)

- I. High net income.
- II. Irregular income.
- III. High discretionary expenses

- a. I and II, only.
- b. I and III, only.
- c. I, II and III.
- d. II and III, only.

Chapter 3

Question 11: Increases in which is of major concern to seniors on a fixed income?

(0.5 Point)

- a. Property taxes.
- b. Excise taxes.
- c. Capital gains tax.
- d. Dividend tax.

Question 12: What is the tax filing deadline for individuals declaring business income?

(0.5 Point)

- a. June 15
- b. May 15
- c. May 30
- d. April 30

Question 13: What type of federal tax slip is issued by the employer to report gross salary and deductions made at source?

(0.5 Point)

- a. T4
- b. T6
- c. T5
- d. T7

Question 14: Which is a deduction permitted to calculate net income (i.e not taxable income)?

(0.5 Point)

- a. Net capital losses of prior years.
- b. Eligible RRSP contributions.
- c. Security option deduction.
- d. Capital gains deduction.

Question 15: Which province has not adopted a Tax on Income (TONI) system?

(0.5 Point)

- a. Newfoundland
- b. Ontario
- c. Alberta
- d. Quebec

Question 16: Personal income tax instalments are paid how frequently each year?

(0.5 Point)

- a. Every 4 months.
- b. Every 3 months.
- c. Once a year.
- d. Every 6 months.

Question 17: At what minimum rate must a loan between spouses be made in order to circumvent the attribution rules with respect to investment income?

(0.5 Point)

- a. CRA prescribed rate.
- b. Bank prime rate.
- c. Bank 1-year deposit rate.
- d. Bank of Canada rate.

Question 18: Which is a tax deferral technique?

(0.5 Point)

- a. Ensuring a portfolio is tax efficient.
- b. Splitting eligible pension income between spouses.
- c. Claiming all eligible deductions and credits.
- d. Contributing to an RRSP.

Question 19: Maxime gifts \$10,000 to her 15-year old son (a minor). He invests the money and earns \$1,000 in interest income. How much must Maxime include in her income for tax purposes?

(0.5 Point)

- a. \$500
- b. \$1,000
- c. \$2,000
- d. Zero

Question 20: Which statement is false?

(0.5 Point)

- a. Dividends distributed by the company to the small business owner are not taxable.
- b. Union and professional dues are tax deductible.
- c. Most employee benefits are taxable.
- d. Self-employment income earned by a non-incorporated business owner is reported on both a gross and net basis.

Chapter 5

Question 21: Under a closed-end lease, who is responsible for the residual value of the car at the end of the term?

(0.5 Point)

- a. The leasing company.
- b. The person leasing the car.
- c. The Canadian Leasing Association.
- d. The financial institution extending the lease financing.

Question 22: Which can be considered an advantage of using credit?

(0.5 Point)

- I. You can buy more goods and services.
- II. Wise use of credit indicates stability.
- III. It's safer - you don't have to carry cash.
- IV. Shopping convenience.

- a. II, III and IV, only.
- b. II and IV, only.
- c. I and III, only.
- d. I, II, III and IV.

Question 23: Who regularly provides data to credit bureaus?

(0.5 Point)

- I. Banks
- II. Employers
- III. Credit card companies.
- IV. Merchants.

- a. I, II, III and IV.
- b. I, III and IV, only.
- c. I and IV, only.
- d. I, II and IV, only.

Question 24: Which of the 5Cs of credit considers the borrower's attitude toward credit obligations?

(0.5 Point)

- a. Conditions.
- b. Capacity.
- c. Character.
- d. Capital.

Question 25: What is the best way to maintain your good credit standing?

(0.5 Point)

- a. Always have a co-signer for a credit card.
- b. Repay your debts on time.
- c. Avoid the use of debt completely.
- d. Apply for as many credit cards as possible.

Chapter 6

Question 26: What is the most expensive source of credit?

(0.5 Point)

- a. From a family member.
- b. From a bank.
- c. From a retailer.

- c. From a retailer.
- d. From a trust company.

Question 27:

(0.5 Point)

You borrow \$5,000 on a line of credit that requires a minimum of 1% of the outstanding balance to be paid every month. You are charged a borrowing rate of 6%, compounded monthly. What is your loan balance after 2 months? (Rounded)

- a. \$4,851
- b. \$4,950
- c. \$4,925
- d. \$4,901

Question 28:

(0.5 Point)

You borrow \$10,000 under a fixed rate instalment loan. How would you calculate your monthly loan payment if your amortization period is 36 months and your loan rate is 6%, compounded monthly?

- a. \$10,000 PV, 36 N, 6 I, COMP PMT
- b. BGN \$10,000 FV, 36 N, 0.5 I, COMP PMT
- c. BGN \$10,000 FV, 36 N, 6 I, COMP PMT
- d. \$10,000 PV, 36 N, 0.5 I, COMP PMT

Question 29:

(0.5 Point)

Your credit card company charges interest based on the average daily balance method excluding new purchases. Given the following, what was your average daily balance? Base your calculations on a 30-day month.

| | |
|-------------------------------|-------|
| Monthly rate | 1.5% |
| APR | 18% |
| Previous balance | \$400 |
| New purchases on the 18th day | \$50 |
| Payment on the 15th day | \$300 |

- a. \$300
- b. \$270
- c. \$250
- d. \$330

Question 30:

(0.5 Point)

What are the two basic components of credit counselling?

- I. Helping families draw up personal financial statements.
- II. Helping families manage their money better.
- III. Helping families prevent further debt problems.
- IV. Helping families to find better sources of income.

- a. I and III, only.
- b. II and III, only.
- c. I and IV, only.
- d. III and IV, only.