

Question 1: You hire an employee of H&R Block to complete your income tax return. Who is responsible for the content of the return?

(0.4 Point)

You.
The employee.
H&R Block.
The tax authorities.

Learning Objective 3

Question 2: Which statement is false?

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

Question 3: Which is not a Registered Pension Plan (i.e. formally recognized corporate plan)?

(0.4 Point) Defined benefit.
Defined contribution.
RRSP.
Individual pension plan.

Question 4: Which is a tax deferral technique?

(0.4 Point) Claiming all eligible deductions and credits.
Splitting eligible pension income between spouses.
Contributing to an RRSP.

Ensuring a portfolio is tax efficient.

Question 5: When would the attribution rules apply?

- (0.4 Point)
- I. For transfers between spouses.**
 - II. For transfers between a parent and minor child.**
 - III. For transfers between a parent and adult child.**

I and II, only.

I, II and III.

II and III, only.

I and III, only.

Question 6: Which statement is correct with respect to a Tax Free Savings Account (TFSA)?

- (0.4 Point)
- Withdrawals from a TFSA are taxable.
 - The contribution limit is fixed at \$10,000 a year.
 - Any unused contribution room can be carried forward.**
 - Contributions are tax deductible.

Learning Objective 2

Question 7: Under which category would we include income from a sole proprietorship?

- (0.4 Point)
- Net business income.**
 - Investment income.
 - Employment income.
 - Taxable capital gains.

Question 8: For which type of loan might the interest be tax-deductible?

- (0.4 Point)
- Line of credit.
 - ~~Mortgage~~

RRSP.

Question 9: Which is a deduction permitted to calculate net income (i.e not taxable income)?

(0.4 Point) Security option deduction.
Net capital losses of prior years.
Eligible RRSP contributions.
Capital gains deduction.

Question 10: Personal income tax instalments are paid how frequently each year?

(0.4 Point) **Every 4 months.**
Once a year.
Every 3 months.
Every 6 months.

Question 11: Your total income is \$75,000. This includes \$2,000 of capital gains. Given the following, what is your taxable income?

(0.4 Point)

RRSP contributions	\$5,000
Medical expenses	\$2,000
Unused capital losses of prior years	\$2,000

\$66,000
\$67,000
\$65,000
\$68,000

Question 12: Ramy lives in Montreal and attends Concordia University. He worked in B.C. last summer planting trees. He earned \$5,000. It cost \$500 to travel to B.C. to start his job and \$600 to return to Montreal for the fall term. He does not work when in Montreal. How much can he deduct in moving

(0.4 Point) **expenses?**

- \$5,000
- \$500**
- \$1,100
- \$600

Question 13: Given the following, what will be your non-refundable tax credit?

(0.4 Point)	Marginal tax rate	26%
	Average tax rate	19%
	Tax credit conversion rate	15%
	Eligible amounts for non-refundable tax credit	\$20,000

- \$5,200
- \$3,800
- \$3,000**
- \$20,000

Learning Objective 1

Question 14: Jocelyne lives in Quebec and works in Ontario. She is an employee of a chartered Canadian bank. She invests in U.S. mutual funds that pay interest income. Which statements are correct?

(0.4 Point) **I. Jocelyne must pay federal income taxes on her salary and interest income**

I and II, only.
I and III, only.
I, II and III.

Question 15: Increases in which is of major concern to seniors on a fixed income?

(0.4 Point) **Property taxes.**
Excise taxes.
Capital gains tax.
Dividend tax.

Chapter 3

Learning Objective 5

Question 16: Jen has always found it difficult to save. She earns a good income, but when she sees the increase in her bank account on payday, she just goes wild. What savings technique would benefit her?

(0.4 Point)
Flexible savings.
Direct deposit.
Pooled income.
Budgeting.

Learning Objective 4

Question 17: Which would influence your lifestyle and ultimate budget?

(0.4 Point) **I. Career.**
II. Family size.
III. Economic outlook.

- II and III, only.
- I and III, only.
- I, II and III.**
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Question 18: Which would be termed an irregular or periodic expense?

- (0.4 Point)
- Rent.
 - Computer purchase.**
 - Loan payment.
 - Groceries.

Question 19: What is the final step in creating and implementing a budget?

- (0.4 Point)
- Set financial goals.
 - Budget variable expenses.
 - Record spending amounts.
 - Review spending and savings patterns.**

Learning Objective 3

Question 20: Financial planners recommend a savings rate that represents what percent of gross income?

- (0.4 Point)
- 10%**
 - 15%
 - 5%
 - 20%

Question 21: Which term refers to money left over after paying for housing, food and other necessities?

(0.4 Point)

Gross income.
Discretionary income.
Net income.
Disposable income.

Question 22: **What does a cash flow deficit imply?**

(0.4 Point) **I. Cash outflows exceeded cash inflows.**
II. No savings of any kind were made during the year.
III. The deficit was funded by decreasing assets or increasing liabilities.

I and II, only.
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Question 23: **Given the following, what is the current ratio?**

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

2.000
0.250
0.125
0.080

Question 24: **To be conservative, how should personal possessions be valued on the personal balance sheet?**

(0.4 Point) At their book value.
At their depreciated value.
At their fair market value.
At their cost.

Learning Objectives 1 and 2

Question 25: Which statements are false?

- (0.4 Point)
- I. Money management involves a cost-benefit analysis.
 - II. Money management is an activity that should be reviewed annually.
 - III. Money management impacts only short-term goals.
 - IV. Money management activities are interrelated.

- III and IV, only.
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Chapter 2

Learning Objective 5

Question 26: Which type of financial planner is perceived to be the most biased in offering financial advice?

- (0.4 Point)
- Fee-and-commission financial planner.
 - Fee-only planner.
 - Commission-only planner.**
 - Unlicensed financial planner.

Learning Objective 4

Question 27: Which represents the maturity value of a bank deposit in a time value of money calculation?

- (0.4 Point) i

FV
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Question 28: **What was the rate of inflation in Canada through the first decade of the 21st century (2000 to 2009)?**

(0.4 Point) 5% - 10%
Below 5%.
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Learning Objective 2

Question 29: **Which statement is correct with respect to the adult life cycle approach to financial planning?**

(0.4 Point)
In the early years, a major focus is on creating an emergency fund.
The textbook describes 6 basic stages in personal financial management.
In the middle years, the focus is on saving for a down payment on a home.
In the retirement years, the focus is on purchasing life insurance.

Learning Objective 1

Question 30: The need to ensure your financial plan is responsive to your changing needs illustrates which desirable characteristic of a plan?

(0.4 Point) It must be realistic.
It must be dynamic.
It must be customized.
It must be integrated

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