


Personal Finance (FINA 200)

Quiz 2: Submission Review

Student ID:	[Redacted]
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Started on:	27/03/2014 1:05:40 PM
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Time taken:	00:45:02
Sections:	<ul style="list-style-type: none"> • Chapter 7: 0 / 0 • Ch. 7 - Learning Objective 1: 0.5 / 0.5 • Ch. 7 - Learning Objective 2: 0.5 / 0.5 • Ch. 7 - Learning Objective 3: 1.5 / 1.5 • Ch. 7 - Learning Objective 4: 1 / 1 • Ch. 7 - Learning Objective 5: 0.5 / 0.5 • Chapter 10: 0 / 0 • Ch. 10 - Learning Objective 1: 0.5 / 0.5 • Ch. 10 - Learning Objective 2: 0.5 / 0.5 • Ch. 10 - Learning Objective 3: 1.5 / 1.5 • Ch. 10 - Learning Objective 4: 0.5 / 1 • Ch. 10 - Learning Objective 5: 0.5 / 0.5 • Chapter 13: 0 / 0 • Ch. 13 - Learning Objective 1: 1.5 / 1.5 • Ch. 13 - Learning Objective 2: 0.5 / 0.5 • Ch. 13 - Learning Objective 3: 1 / 1 • Ch. 13 - Learning Objective 4: 0.5 / 0.5 • Chapter 14: 0 / 0 • Ch. 14 - Learning Objective 1: 0.5 / 0.5 • Ch. 14 - Learning Objective 2: 0 / 0.5 • Ch. 14 - Learning Objective 3: 0.5 / 0.5 • Ch. 14 - Learning Objective 5: 1.5 / 1.5 • Ch. 14 - Learning Objective 6: 0.5 / 0.5
Total Grade:	14 / 15 (93.33%) 

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 7

Question 1: Which are advantages of renting over ownership?

(0.5 Point)

- I. It's easy to relocate.
- II. Financial commitment is minimal.
- III. Financial commitment is minimal.

iii. Fewer responsibilities with respect to maintenance and upkeep.

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

Question 2: What is the major *financial* disadvantage of renting versus owning?

(0.5 Point)

- a. Regulated rental increases.
- b. Legal complications.
- c. Lifestyle limitations.
- d. No participation in the rise in property values.

Question 3: Refer to Step 4 of Exhibit 7-6. If your affordable monthly mortgage payment is \$800 and the mortgage payment factor for a 5%, 25-year mortgage is 5.83, what is your most affordable mortgage amount? (Rounded)

(0.5 Point)

- a. \$125,300
- b. \$137,200
- c. \$225,000
- d. \$466,400

Question 4: Which statement is *incorrect*?

(0.5 Point)

- a. Owning a home provides lifestyle flexibility.
- b. Owning a home reduces the owner's mobility.
- c. A significant benefit to owning a home is pride of ownership.
- d. Owning a home provides more financial certainty than leasing one.

Question 5: What forms part of the last step in the home-buying process?

(0.5 Point)

- a. Evaluate different interest and payment options.
- b. Negotiate an agreement price.
- c. Conduct a home inspection.
- d. Determine home ownership needs.

Question 6: Which refers to the period during which the interest rate charged on a mortgage is fixed?

(0.5 Point)

- a. Term.
- b. Cap.
- c. Title.
- d. Amortization period.

Question 7: Under which type of mortgage can the borrower repay the loan without penalty?

(0.5 Point)

- a. Closed.
- b. Lender-take-back.
- c. Open.
- d. Semi-annual.

Question 8: What total fee is usually charged by real estate agents?

(0.5 Point)

- a. 6%
- b. 15%
- c. 1%
- d. 10%

Chapter 10

Question 9: In order to start an investment program, you need money. Which technique refers to the idea of making savings a priority?

(0.5 Point)

- a. Make a special savings effort for a period of time.
- b. Take advantage of gifts and other windfalls to add to savings.
- c. Save the monthly net income that you don't spend.
- d. Pay yourself first through automatic deposits taken from your pay.

Question 10: If you are retired and require the income from your investments to meet on-going living expenses, which investment would you choose?

(0.5 Point)

- a. Dividend-paying stocks.
- b. Options.
- c. Near-cash investments.
- d. Precious metals.

Question 11: Which type of investment offers the highest potential for growth (i.e. an increase in value)?

(0.5 Point)

- a. Corporate bonds.
- b. Common shares.
- c. Guaranteed investment certificates.
- d. Preferred shares.

Question 12: Which lists investments in terms of increasing risk (i.e. from lowest to highest)?

(0.5 Point)

- a. Precious metals, growth stocks, GICs.
- b. Options, corporate bonds, cash.
- c. Corporate bonds, GICs, income stocks.
- d. Government bonds, growth stocks, options.

Question 13: Which statement concerning dividends is *false*?

(0.5 Point)

- a. Bonds and other forms of corporate debt do not pay dividends.
- b. Common shareholders have priority with respect to dividends over preferred shareholders.
- c. Dividends are paid out of after-tax corporate earnings.
- d. A corporation is under no legal obligation to pay dividends.

Question 14: According to the text, what is the level of the dividend tax credit for eligible Canadian dividends?

(0.5 Point)

- a. 13.33%
- b. 18.97%
- c. 25%
- d. 45%

Question 15: Mohammed made the following stock transactions in 2011. What must he include as taxable income on his 2011 income tax return? Ignore transaction costs.

(0.5 Point)

	Purchase Price	Sales Price
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	Purchase Price	Sales Price
DEF Stock	\$5,000	\$8,000
XYZ Stock	\$7,500	\$6,500

- a. Deductible capital loss of \$2,000.
- b. Taxable capital gain of \$2,000.
- c. Deductible capital loss of \$1,000.
- d. Taxable capital gain of \$1,000.

Question 16: What is SEDAR?

(0.5 Point)

- a. A company that sells seeds.
- b. A publisher of analytical tools used in stock investments.
- c. An electronic filing system for securities information in Canada.
- d. A free investment website.

Chapter 13

Question 17: What type of mutual fund is of finite size?

(0.5 Point)

- a. An open-end fund.
- b. An exchange traded fund.
- c. A closed-end mutual.
- d. A segregated fund.

Question 18: At the beginning of 2009, a mutual fund's net asset value per share was \$5.00. It grew to \$6.00 by the end of 2010 and to \$7.00 by the end of 2011. The fund charges a back-end load of 5%, that drops by 1% each year until it equals zero after 5 years. How much would an investor have received per unit by selling the fund at the end of 2011?

(0.5 Point)

- a. \$6.65
- b. \$5.70
- c. \$5.76
- d. \$6.79

Question 19: Which are the two major reasons investors purchase mutual funds?

(0.5 Point)

- I. Mutual funds are easier to purchase than stocks or bonds.
 - II. Fees to acquire mutual funds are less than the commissions on stocks or bonds.
 - III. Mutual funds are managed by professionals.
 - IV. Mutual funds offer instant diversification.
- a. I and III, only.
 - b. II and IV, only.
 - c. III and IV, only.
 - d. I and II, only.

Question 20: Which type of mutual fund sacrifices diversification to seek higher returns?

(0.5 Point)

- a. Money market fund.
- b. International fund.
- c. Specialty fund.
- d. Asset allocation fund.

Question 21: What type of mutual fund reports a current yield and not a net asset value per share (NAVPS)?

(0.5 Point)

- a. Balanced fund.
- b. Bond fund.
- c. Equity fund.
- d. Money market fund.

Question 22: Which letter indicates that a fund does not charge a load?

(0.5 Point)

- a. F
- b. U
- c. B
- d. N

Question 23: Which are advantages of investing in mutual funds?

(0.5 Point)

- I. Higher risk will lead to a higher return.
- II. A low entry-level investment.
- III. Acquisition through pre-authorized contributions.

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

Chapter 14

Question 24: Which statement is true?

(0.5 Point)

- a. If you cannot save a lot, you might as well not save anything for your retirement.
- b. Saving for retirement is only for those who plan to retire in the near future.
- c. Many employer health plans cease once an employee retires.
- d. All pension plan benefits are indexed to inflation.

Question 25: What is the maximum loan granted under a reverse mortgage?

(0.5 Point)

- a. 50%
- b. 40%
- c. 60%
- d. 30%

Question 26: The inflation factor for 3% annual inflation over 20 years to retirement is 2.0. If your estimated retirement income today is \$30,000, what would be your total annual inflated retirement income?

(0.5 Point)

- a. \$45,000
- b. \$30,000
- c. \$15,000
- d. \$60,000

Question 27: By the end of which year must an RRSP be deregistered?

(0.5 Point)

- a. Your 70th year.
- b. Your 71st year.
- c. Your 75th year.
- d. Your 65th year.

Question 28: Which statement is false?

(0.5 Point)

(0.5 Point)

- a. Participation in a registered pension plan will reduce an individual's ability to contribute to an RRSP.
- b. Your RRSP contribution room is calculated as 18% of your prior year's earned income, less your pension adjustment, plus unused contribution room from prior years.
- c. The maximum RRSP over-contribution that is permitted without penalty is \$2,000.
- d. Cash cannot be held in your RRSP.

Question 29: Whose cumulative contribution room is reduced when a contribution is made to a spousal RRSP?

(0.5 Point)

- a. Spousal RRSP contributions have a global limit of \$50,000 and neither spouse's contribution room is affected.
- b. The reduction is applied 50% to the contributing spouse and 50% to the beneficiary spouse.
- c. The contributing spouse.
- d. The spouse for whom the contribution has been made (the beneficiary spouse).

Question 30: Refer to Exhibit 14-13. If you start your retirement with a nest egg of \$100,000, how much can you withdraw each month for 10 years before your nest egg disappears based on an interest rate of 5.5%?

(0.5 Point)

- a. \$1,074
- b. \$645
- c. \$337
- d. \$61