


	<b>Learning Objective 1: 0.4 / 0.4</b> <b>Chapter 7: 0 / 0</b> <b>Learning Objectives 4 and 5: 0.4 / 0.4</b> <b>Learning Objective 3: 0.4 / 0.4</b> <b>Learning Objective 2: 1.2 / 1.6</b> <b>Learning Objective 1: 0.4 / 0.4</b> <b>Chapter 6: 0 / 0</b> <b>Learning Objective 5: 0.4 / 0.4</b> <b>Learning Objective 4: 0.4 / 0.4</b> <b>Learning Objective 3: 0.8 / 0.8</b> <b>Learning Objective 2: 0.8 / 0.8</b> <b>Learning Objective 1: 0.4 / 0.4</b> <b>Chapter 5: 0 / 0</b>
<b>Total Grade:</b>	10.8 / 12 (90%) 

## Learning Objective 5

**Question 1:** If a firm wishes to sell new common shares to the public, what must it issue?

(0.4 Point) **A prospectus.**  
 An income tax return.  
 A memorandum of information.  
 An annual report.

## Learning Objective 4

**Question 2:** Which of the following must you perform in order to manage your investments?

- (0.4 Point)
- I. Evaluate potential investments.**
  - II. Monitor the value of your investments.**
  - III. Keep accurate and up-to-date records.**

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

**Question 3:** ABC pays a common share dividend of \$1.00 per share. ABC is quoted on the TSX. How much would an investor owning 100 shares have to declare as taxable dividend income?

- (0.4 Point)
- \$125
  - >\$125**
  - \$100
  - \$50

### Learning Objective 3

**Question 4:** Which type of investment offers the highest potential for growth (i.e. an increase in value)?

- (0.4 Point)
- Corporate bonds.
  - Common shares.**
  - Guaranteed investment certificates.
  - Preferred shares.

**Question 5:** How can you invest in real estate and still maintain high liquidity?

- (0.4 Point)
- Invest in major cities only.
  - Invest in rental properties by paying the full amount in cash.
  - Invest in commercial properties only.
  - Invest in real estate investment trusts (REITs).**

## Learning Objective 2

**Question 6:** If you are retired and require the income from your investments to meet on-going living expenses, which investment would you choose?

(0.4 Point) **Near-cash investments.**  
Precious metals.  
Options.  
**Dividend-paying stocks.**

## Learning Objective 1

**Question 7:** In order to start an investment program, you need money. Which technique refers to the idea of making savings a priority?

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

## Chapter 10

### Learning Objective 5

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

(0.4 Point) **6%**  
15%  
10%  
1%

### Learning Objective 4

**Question 9: Which document transfers ownership of property from one party to another?**

(0.4 Point)

Mortgage.  
Escrow account.  
Warranty.  
Deed.

**Question 10: In Canada, how often are fixed-rate mortgages compounded?**

(0.4 Point)

Quarterly.  
Semi-annually.  
Monthly.  
Annually.

### Learning Objective 3

**Question 11: What forms part of the last step in the home-buying process?**

(0.4 Point)

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

**Question 12: Which statement is *incorrect*?**

(0.4 Point)

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

**Question 13:** Refer to Step 5 of Exhibit 7-6. If your affordable mortgage amount is \$250,000 and you wish to make a 15% down payment, what is your affordable home purchase price? (Rounded)

(0.4 Point)

\$287,500

**\$294,100**

\$212,500

\$250,000

**Question 14:** When might price negotiations between a home buyer and seller be minimized?

(0.4 Point)

**I. In a buyer's market.**

**II. In a seller's market.**

**III. When working with a dual agent.**

**IV. When working with a buyer's agent.**

II and IV, only.

**II and III, only.**

I and III, only.

I and IV, only.

## Learning Objective 2

**Question 15:** What is the major *financial* disadvantage of renting versus owning?

(0.4 Point)

Legal complications.

**No participation in the rise in property values.**

Regulated rental increases.

Lifestyle limitations.

## Learning Objective 1

**Question 16: For which life situation would the purchase of a home be largely motivated by the potential for financial gain (i.e. price appreciation) rather than family need?**

(0.4 Point)

Couple with young children.  
Single parent.  
Retired person.  
**Young single.**

## **Chapter 7**

### **Learning Objectives 4 and 5**

**Question 17: How long is a bankruptcy retained by credit bureaus?**

(0.4 Point)

10 years.  
Forever.  
**6 years.**  
1 year.

### **Learning Objective 3**

**Question 18: If you fall behind in your car loan payments, what can the creditor do?**

(0.4 Point)

Take out a court order demanding immediate payment of arrears plus interest.  
Repossess the car and hold it until you resume payments.  
**Repossess the car and sell it to recover the outstanding loan.**  
Take out a court order forbidding you to use the car until payments resume.

### **Learning Objective 2**

**Question 19:** Given the following, which method of calculating credit card interest is most costly?

(0.4 Point)

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

Average daily balance including new purchases.

Average daily balance excluding new purchases.

Previous balance.

Adjusted balance.

**Question 20:** Your financial institution charges you an effective annual interest rate of 4%. Interest is payable at the end of the year. It also levies an immediate 2% administration fee on any funds advanced to you. What is the real annual cost of the loan?

(0.4 Point)

6.00%

4.08%

4.20%

6.08%

**Question 21:** You borrow \$10,000 on a line of credit. You must pay a minimum of 1% of the outstanding balance every month. You are charged a borrowing rate of 9%, compounded monthly. What is your total payment in the first month?

(0.4 Point)

\$83

\$175

\$75

\$100

**Question 22: Under which method of calculating credit card interest do creditors first subtract payments before calculating the interest charge?**

(0.4 Point)

**Adjusted balance.**

Average daily balance including new purchases.

Previous balance.

Average daily balance excluding new purchases.

## Learning Objective 1

**Question 23: What is the most expensive source of credit?**

(0.4 Point)

From a family member.

From a bank.

From a trust company.

**From a retailer.**

## Chapter 6

**Question 24: Which are well-known credit bureaus?**

(0.4 Point)

**I. Equifax.**

**II. Greenline.**

**III. TransUnion.**

II and III, only.

**I and III, only.**

I, II and III.

I and II, only.

**Question 25: Which element is the most important in determining your VantageScore?**

- (0.4 Point) Available credit.  
Credit balances.  
**Payment history.**  
Credit use.

**Question 26: What credit rating is given to accounts too new to rate?**

- (0.4 Point) R9.  
R8.  
**R0.**  
R1.

**Question 27: Which statement is false with respect to the gross debt service (GDS) and total debt service (TDS) ratios?**

- (0.4 Point) The GDS ratio only considers mortgage principal, interest, heating and taxes.  
Both the GDS and TDS ratio are based on gross income.  
The TDS ratio considers all elements of the GDS ratio plus other debt payments.  
**Financial institutions apply a GDS ratio in the range of 40% to 42%.**

**Question 28: What is the regulated minimum, interest-free grace period on new credit card purchases when a customer pays the outstanding balance in full?**

- (0.4 Point) **21 days**  
31 days  
15 days  
10 days

**Question 29: What would be the maximum home equity line of credit if the appraised value of your home is \$400,000 and your outstanding mortgage is \$200,000? Assume the financial institution applies a rate of 80%.**

- (0.4 Point) ~~~~~

\$280,000  
\$160,000  
**\$120,000**  
\$80,000

**Question 30: Who are most at risk to misuse credit?**

(0.4 Point) **I. Professionals.**  
**II. Young adults.**  
**III. Shopaholics.**  
**IV. Retirees.**

II and IV, only.  
I and II, only.  
**II and III, only.**  
I, II, III and IV.

## Chapter 5

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