

## Personal Finance (FINA 200)

### Quiz 1: Submission Review

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"> <li>• Chapter 1 : 0 / 0</li> <li>• Ch. 1 - Learning Objectives 1 and 2: 0 / 0.5</li> <li>• Ch. 1 - Learning Objective 3: 0.5 / 0.5</li> <li>• Ch. 1 - Learning Objectives 4 and 5: 0.5 / 0.5</li> <li>• Chapter 2: 0 / 0</li> <li>• Ch. 2 - Learning Objectives 1 and 2: 0.5 / 0.5</li> <li>• Ch. 2 - Learning Objective 3: 2 / 2</li> <li>• Ch. 2 - Learning Objective 4: 0.5 / 1</li> <li>• Chapter 3: 0 / 0</li> <li>• Ch. 3 - Learning Objective 1: 0.5 / 0.5</li> <li>• Ch. 3 - Learning Objective 2: 2.5 / 2.5</li> <li>• Ch. 3 - Learning Objective 3: 2 / 2</li> <li>• Chapter 5: 0 / 0</li> <li>• Ch. 5 - Learning Objectives 1 and 2: 1 / 1</li> <li>• Ch. 5 - Learning Objectives 3 and 4: 1 / 1</li> <li>• Ch. 5 - Learning Objective 5: 0.5 / 0.5</li> <li>• Chapter 6: 0 / 0</li> <li>• Ch. 6 - Learning Objective 1: 0.5 / 0.5</li> <li>• Ch. 6 - Learning Objective 2: 1 / 1.5</li> <li>• Ch. 6 - Learning Objectives 3, 4 and 5: 0.5 / 0.5</li> </ul>
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, 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:** 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)

(0.5 Point)

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

**Question 28:** 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?

(0.5 Point)

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

**Question 29:** 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.

(0.5 Point)

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:** What are the two basic components of credit counselling?

(0.5 Point)

- 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.