

All lecture based questions are worth 1 mark each.

The calculation type questions are worth 1 mark except for those problems that have a mark specified.

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) Read the following two statements - decide if each statement is true or false - then choose the appropriate answer from (A) to (D) below.

1. Your average tax rate refers to the percentage of the last dollar earned that will go towards your taxes

2. An asset that is sold for more than it was purchased is said to incur a capital gain.

A) Only Statement 1 is correct

B) Only Statement 2 is correct

C) Both statements are correct

D) Both statements are false

2) You purchased a share of CompUTech stock for \$4 about 3 years ago. If you sold that share today at the current market price of \$150, what would be your capital gain on the sale?

A) \$154

B) \$146

C) \$4

D) \$150

E) none of the above

3) Louise is approaching retirement age, but is unsure whether she wants to retire. She has a retirement account balance of \$37,000. Louise would like to establish an income of \$2,500 at the end of each month. She anticipates an annual return of 3.8%, compounded monthly. Based on the current arrangements, how long will Louise's money last?

A) 22.16 months

B) 231.54 months

C) 15.18 months

D) 22.16 years

E) None of the above answers are correct

4) GoTech's stock will be traded on a national scale, but it is not large enough to make the TSE. Therefore, it will most likely be traded on the

A) CDNX.

B) NYSE.

C) NASDAQ.

D) AMEX.

E) none of the above

5) Nancy wants to accumulate \$30,000 by the end of 15 years. She starts making monthly deposits in her investment account, which pays 14% compounded monthly. Find the size of these deposits.

A) \$1,841.72

B) \$49.52

C) \$4,884.27

D) \$684.27

E) \$399.52

- 6) Patti DeVry has been trading stocks in the over-the-counter market. She offers a _____ price when purchasing and the selling individual wants a (an) _____ price.
- A) starting, minimum,
 - B) ask, bid
 - C) bid, ask
 - D) ask, minimum
 - E) bid, minimum
- 7) You recently purchased a stock for \$25. It is now worth \$35, and it paid a \$5 dividend during the time you held it. What is your rate of return on this stock?
- A) -20%
 - B) 60%
 - C) 43%
 - D) 40%
 - E) none of the above
- 8) The CRA has established the Canadian income tax code as a
- A) regressive tax.
 - B) flat tax.
 - C) progressive tax.
 - D) graduated tax.
 - E) both C and D
- 9) What is the major advantage and disadvantage of registering your trade in the "street" name?
- A) more convenient to sell, miss a sale
 - B) less paperwork, too costly
 - C) convenience, takes too long
 - D) less expensive, too much red tape
 - E) more convenient to sell, be charged a maintenance fee
- 10) If you specify that your trade is to be transacted only at a certain price or better. You are placing a _____ order
- A) limit order
 - B) closed order
 - C) open order
 - D) stop order
 - E) market order
- 11) Capital gains are included as part of your income at _____ of the actual capital gain
- A) 10%
 - B) 29%
 - C) 50%
 - D) 100%
 - E) never included as income

- 12) _____ income is Net Income less losses from other years:
- A) Taxable
 - B) Gross
 - C) Total
 - D) both B and C
 - E) all of the above
- 13) Hern MacTavish prefers lending investments. While talking to an investment advisor he found one or two to his liking. Select it (them) from the list.
- A) saving accounts
 - B) income-producing real estate
 - C) stocks
 - D) bonds
 - E) both A and D
- 14) Which of the following is not a personal tax credit?
- A) equivalent to spouse tax credit
 - B) age-related tax credit
 - C) student-related tax credit
 - D) spousal tax credit
 - E) all of the above are personal tax credits
- 15) Which of the following is (are) not one of the major organized exchanges in Canada?
- A) Toronto Stock Exchange
 - B) Canadian Venture Exchange
 - C) New York Stock Exchange
 - D) NASDAQ
 - E) both C and D
- 16) Read the following two statements - decide if each statement is true or false - then choose the appropriate answer from (A) to (D) below
1. A round lot is a group of 100 shares that are traded together.
 2. Short selling involves borrowing stock from your investment dealer, selling it, and replacing it for your investment dealer.
- A) Both statement 1 and 2 are false
 - B) Only Statement 2 is correct
 - C) Only Statement 1 is correct
 - D) Both statement 1 and 2 are correct
- 17) Suppose that you had deposited \$100 in a bank account for each of the last 5 years. Calculate the rate of return reearned if there is now (at the end of the 5th year) \$758.92 on deposit.
- A) 19%
 - B) 21%
 - C) 10%
 - D) 23%
 - E) 16%

- 24) Barney Q. Hopkins borrows stock from his investment dealer (short selling) with the goal of
- A) buying low and selling later.
 - B) buying low and selling low.
 - C) selling high and later buying low.
 - D) borrowing money and buying low.
 - E) buying high and selling low.
- 25) Assume that you own a portfolio of common stocks. The category of these investments is called
- A) debt
 - B) ownership.
 - C) income.
 - D) monetary
 - E) lending.
- 26) Jordon has a few thousand dollars to invest. He wants to find newly issued stock of a fast growing new company. He will trade in the _____ market.
- A) international market
 - B) primary market
 - C) commodity market
 - D) Toronto Stock Exchange
 - E) secondary market
- 27) What are some of the expenses you are able to use as a deduction from total income?
- A) pension plan contributions
 - B) childcare expenses
 - C) union dues
 - D) all of the above
 - E) none of the above
- 28) You want to buy a new issue of stock in a dynamic electronics firm. You place an order that can't be completely filled the first day, so you ask for
- A) an open order.
 - B) an extended order.
 - C) a day order.
 - D) a second chance.
 - E) a market order.
- 29) Karen and Daryl are thinking about a tropical vacation that will cost \$5,500. They do not have the money on hand and would like to save the money in two years. If the couple can earn an annual interest rate of 2.75%, compounded monthly, what is the deposit required at each month-end?
- A) \$235.79
 - B) \$223.19
 - C) \$2,746.85
 - D) \$222.68
 - E) \$164.83
- 30) A couple buys a house worth \$156, 000 by paying \$56, 000 down and taking out a mortgage for the rest of the purchase price. The mortgage is at 10% compounded semi-annually and will be repaid over 25 years with monthly payments. Calculate the monthly payment.
- A) \$908.70
 - B) \$1,395.40
 - C) \$1,031.90
 - D) \$894.49
 - E) None of the above answers are correct

- 31) You just purchased a vacant lot for your future home for \$50,000 and financed that amount over 96 months. What would your monthly payment be if your interest rate was 9.25% compounded monthly?
 A) \$10.92 B) \$739.01 C) \$353.60 D) \$1,544.55 E) \$567.23
- 32) Sly's Used Cars just sold you a clunker (you need it to get to class on time.) The contract states that the \$4,728.48 purchase price will be repaid with 24 monthly payments of \$250. What interest rate did they charge you? (assume monthly compounding)
 A) 24% B) 12% C) 10% D) 19% E) 16%
- 33) Security market regulation is aimed at
 A) providing a level playing field.
 B) protecting the investor.
 C) protecting the corporation.
 D) both A and B
 E) all of the above
- 34) Non- income based taxes include
 A) Canada Pension Plan.
 B) Employment Insurance Premiums.
 C) Property tax
 D) both B and C
 E) all of the above
- 35) The largest stock exchange in Canada is the
 A) NASDAQ. B) CDNX. C) AMEX. D) NYSE. E) TSE.
- 36) Petrina was told by a successful friend to invest in stocks and income-producing real estate. Both of these are examples of _____ investments.
 A) short-term B) safe C) liquid D) lending E) ownership
- 37) Barney Hopkins is the financial manager for Amax Corporation. He knows that _____ risk deal with good or bad management decisions and _____ risk is associated with his company's use of debt.
 A) financial, market
 B) business, financial
 C) financial, business
 D) market, business
 E) business, interest rate
- 38) Insider trading is both unfair and illegal. This occurs when officers, directors, major shareholders, or others trade securities while
 A) employed by the company whose shares they traded
 B) making a profit from trading shares in the firm in which they are employed
 C) having relatives work for the firm whose stock they are trading.
 D) in possession of "material" nonpublic security information.
 E) intoxicated.

- 39) Our present income tax system first appeared in the year
- A) 1900.
 - B) 1917.
 - C) 1534.
 - D) 1867.
 - E) none of the above
- 40) An annuity pays 5 yearly payments of \$4,000 each, starting February 1, 2008. Find the discounted value of these payments on February 1, 2005, if money is worth 14% compounded yearly. Please round your answer to the nearest cent. (2 marks)
- A) \$10,566.58
 - B) \$10,234.58
 - C) \$13,732.32
 - D) \$9,286.53
 - E) None of the above answers are correct
- 41) A couple buys a car worth \$20,000 taking out a car loan for the whole amount. The loan is at 9% compounded monthly and will be repaid over 5 years with monthly payments. Calculate the amount of interest paid within the first loan payment. (2 marks)
- A) \$37.37
 - B) \$150
 - C) \$1,800
 - D) None of the above answers are correct
- 42) The amount of income taxes that you actually pay is based upon
- A) taxable income.
 - B) total income.
 - C) net income.
 - D) net income less losses from other years.
 - E) both A and D
- 43) Corporate bond interest rates tend to _____ the inflation rate
- A) move in reverse to
 - B) be unaffected by
 - C) move with
 - D) unproportional to
 - E) none of the above
- 44) One of these is not allowed as a deduction from total income. Which one is it?
- A) pension plan contributions
 - B) childcare expenses
 - C) pension income
 - D) union dues
 - E) carrying charges and interest

- 45) Suppose that you earned enough income to place you in the highest federal tax bracket. Which federal tax bracket would you most likely be in?
- A) 26%
 - B) 29%
 - C) 40%
 - D) 22%
 - E) none of the above
- 46) Jennifer has money invested in stocks. The annual income that she earns on her investment, which is a portion of the company's profits, is called
- A) interest.
 - B) dividends.
 - C) a return.
 - D) growth.
 - E) retained earnings.
- 47) Amy and Bob have decided to borrow a portion of the purchase price of stocks from their investment dealer. They will then have a _____ account.
- A) debtor
 - B) margin
 - C) combination
 - D) charge
 - E) cash
- 48) The two types of securities offerings in the primary markets are _____ and _____
- A) seasoned new issues, long-term bonds
 - B) seasoned new issues, penny stocks
 - C) initial public offerings, seasoned old issues
 - D) long-term bonds, government bills and notes
 - E) initial public offerings, seasoned new issues
- 49) Read the following two statements - decide if each statement is true or false - then choose the appropriate answer from (A) to (D) below
1. Nominal rates of return are more important than real rates of return when evaluating a bond investment
 2. Investors who purchase Canadian Federal Government Securities need not worry about default risk.
- A) Only Statement 2 is correct
 - B) Only Statement 1 is correct
 - C) Both statement 1 and 2 are correct
 - D) Both statement 1 and 2 are false
- 50) Jordan has a few thousand dollars to invest. He wants to find previously issued stock of a fast growing new company. He will trade in the _____ market.
- A) secondary market
 - B) international market
 - C) commodity market
 - D) primary market
 - E) seasoned, new issue market

- 51) Our study of efficient markets tells us all of the following about investing except one.
- A) Focus on effective asset allocation.
 - B) Go with the best investment advisor money can buy.
 - C) Long-term investing beats the market, not systems.
 - D) Don't try to time the market—stay with your plan.
 - E) Diversify and seek help if you don't feel comfortable.
- 52) Which of the following is a source of tax-free income?
- A) commission income
 - B) employment income
 - C) capital gain income
 - D) capital gain on the sale of your home
 - E) property income
- 53) Which of the following statements is true?
- A) Total income equals taxable income plus moving expenses.
 - B) Total income equals net income less union dues.
 - C) Taxable income equals total income plus net income.
 - D) Total income equals the sum of all your income from all sources.
 - E) none of the above
- 54) A couple buys a house worth \$156, 000 by paying \$56, 000 down and taking out a mortgage for the rest of the purchase price. The mortgage is at 12% compounded semi-annually and will be repaid over 25 years with monthly payments. Calculate the amount of interest paid within the first five years of mortgage payments.
(2 marks)
- A) \$4,539.85
 - B) \$35,410.40
 - C) \$57,374.13
 - D) \$60,000.00
 - E) None of the above answers are correct
- 55) That portion of a stock's risk or variability that can be eliminated through investor diversification is called _____ risk
- A) supply and demand
 - B) unrealistic
 - C) systematic
 - D) inflation
 - E) unsystematic
- 56) The text states that _____ are virtually risk-free and the interest rate on them can be thought of as the real risk-free rate.
- A) short-lived stocks
 - B) corporate bonds
 - C) 3 month T-Bills
 - D) government bonds
 - E) savings accounts