

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. 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 correct B) Only Statement 1 is correct
C) Only Statement 2 is correct D) Both statement 1 and 2 are false
- 2) 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) \$353.60 B) \$10.92 C) \$567.23 D) \$1,544.55 E) \$739.01
- 3) Axiom #6 - "taxes bias personal finance decisions" tells us that several points hold true regardless of what we invest in. Identify the wrong statement in the following list.
 - A) Most people do not readily understand tax implications.
 - B) Capital gains are better than interest income when it comes to taxes.
 - C) Consider tax-deferred investments.
 - D) The higher income spouse should do all the saving
 - E) Keep in mind that the tax rate you're concerned with is the marginal tax rate.
- 4) 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
- 5) Insider trading is both unfair and illegal. This occurs when officers, directors, major shareholders, or others trade securities while
 - A) intoxicated.
 - B) having relatives work for the firm whose stock they are trading.
 - C) making a profit from trading shares in the firm in which they are employed
 - D) employed by the company whose shares they traded
 - E) in possession of "material" nonpublic security information.
- 6) 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) 23% B) 21% C) 16% D) 19% E) 10%

- 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) 43%
 - B) -20%
 - C) 60%
 - D) 40%
 - E) none of the above
- 8) The amount of income taxes that you actually pay is based upon
- A) taxable income.
 - B) net income.
 - C) total income.
 - D) net income less losses from other years.
 - E) both A and D
- 9) 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) \$1,800
 - C) \$150
 - D) None of the above answers are correct
- 10) Which of the following is a source of tax-free income?
- A) employment income
 - B) capital gain income
 - C) capital gain on the sale of your home
 - D) property income
 - E) commission income
- 11) If you specify that your trade is to be transacted only at a certain price or better. You are placing a _____ order
- A) market order
 - B) open order
 - C) limit order
 - D) stop order
 - E) closed order
- 12) 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) \$13,732.32
 - B) \$9,286.53
 - C) \$10,566.58
 - D) \$10,234.58
 - E) None of the above answers are correct

- 13) 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) \$1,395.40
 - B) \$894.49
 - C) \$908.70
 - D) \$1,031.90
 - E) None of the above answers are correct
- 14) 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
- 15) 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) a second chance.
 - B) an open order.
 - C) a market order.
 - D) an extended order.
 - E) a day order.
- 16) Jordon 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) international market
 - B) secondary market
 - C) seasoned, new issue market
 - D) primary market
 - E) commodity market
- 17) 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) \$57,374.13
 - B) \$60,000.00
 - C) \$4,539.85
 - D) \$35,410.40
 - E) None of the above answers are correct

- 18) Which of the following statements is true?
- A) Total income equals the sum of all your income from all sources.
 - B) Total income equals net income less union dues.
 - C) Taxable income equals total income plus net income.
 - D) Total income equals taxable income plus moving expenses.
 - E) none of the above
- 19) Which of the following is not a personal tax credit?
- A) spousal tax credit
 - B) student-related tax credit
 - C) equivalent to spouse tax credit
 - D) age-related tax credit
 - E) all of the above are personal tax credits
- 20) Our present income tax system first appeared in the year
- A) 1917.
 - B) 1900.
 - C) 1867.
 - D) 1534.
 - E) none of the above
- 21) 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
- 22) Corporate bond interest rates tend to _____ the inflation rate
- A) move in reverse to
 - B) unproportional to
 - C) be unaffected by
 - D) move with
 - E) none of the above
- 23) Assume that you own a portfolio of common stocks. The category of these investments is called
- A) lending.
 - B) monetary
 - C) debt
 - D) ownership.
 - E) income.
- 24) _____ 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

- 25) 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) government bonds
 - C) 3 month T-Bills
 - D) savings accounts
 - E) corporate bonds
- 26) 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
- 27) 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, business
 - B) business, interest rate
 - C) market, business
 - D) financial, market
 - E) business, financial
- 28) 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) NYSE.
 - B) CDNX.
 - C) NASDAQ.
 - D) AMEX.
 - E) none of the above
- 29) While studying the chapter on investments in Personal Finance, Becky Hargrith found out that the _____ consists of the real risk-free rate of return and risk premiums of inflation, default, maturity and liquidity.
- A) real interest rate
 - B) long-term rate of return
 - C) real rate of return
 - D) nominal or quoted interest rate
 - E) adjusted rate
- 30) You purchased an investment for \$1000 on which you earned \$120 investment last year. The inflation rate during that time was 3%. What was your real rate of return according to the textbook formula?
- A) 9%
 - B) 15%
 - C) 12%
 - D) 3%
 - E) none of the above

- 31) That portion of a stock's risk or variability that can be eliminated through investor diversification is called _____ risk
- A) unsystematic
 - B) systematic
 - C) inflation
 - D) supply and demand
 - E) unrealistic
- 32) 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
- 33) Barney Q. Hopkins borrows stock from his investment dealer (short selling) with the goal of
- A) buying high and selling low.
 - B) borrowing money and buying low.
 - C) buying low and selling low.
 - D) buying low and selling later.
 - E) selling high and later buying low.
- 34) 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
- 35) Jordan 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) Toronto Stock Exchange
 - B) primary market
 - C) international market
 - D) secondary market
 - E) commodity market
- 36) 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) bid, ask
 - B) bid, minimum
 - C) starting, minimum,
 - D) ask, minimum
 - E) ask, bid

- 44) 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) Both statement 1 and 2 are correct
 C) Both statement 1 and 2 are false
 D) Only Statement 1 is correct
- 45) 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
- 46) 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) charge
 - C) cash
 - D) margin
 - E) combination
- 47) Karen and Daryl are thinking about a tropical vacation that will cost \$5,500. They do not have the money or 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) \$222.68 B) \$235.79 C) \$164.83 D) \$223.19 E) \$2,746.85
- 48) 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
- 49) 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 years
 - B) 231.54 months
 - C) 22.16 months
 - D) 15.18 months
 - E) None of the above answers are correct

- 50) One of these is not allowed as a deduction from total income. Which one is it?
- A) pension plan contributions
 - B) childcare expenses
 - C) carrying charges and interest
 - D) union dues
 - E) pension income
- 51) 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) growth.
 - C) a return.
 - D) dividends.
 - E) retained earnings.
- 52) 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) \$146
 - B) \$4
 - C) \$150
 - D) \$154
 - E) none of the above
- 53) 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
- 54) Petrina was told by a successful friend to invest in stocks and income-producing real estate. Both of these are examples of _____ investments.
- A) liquid
 - B) safe
 - C) lending
 - D) ownership
 - E) short-term
- 55) 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) 16%
 - B) 24%
 - C) 10%
 - D) 12%
 - E) 19%
- 56) The two types of securities offerings in the primary markets are _____ and _____
- A) initial public offerings, seasoned new issues
 - B) seasoned new issues, long-term bonds
 - C) seasoned new issues, penny stocks
 - D) initial public offerings, seasoned old issues
 - E) long-term bonds, government bills and notes