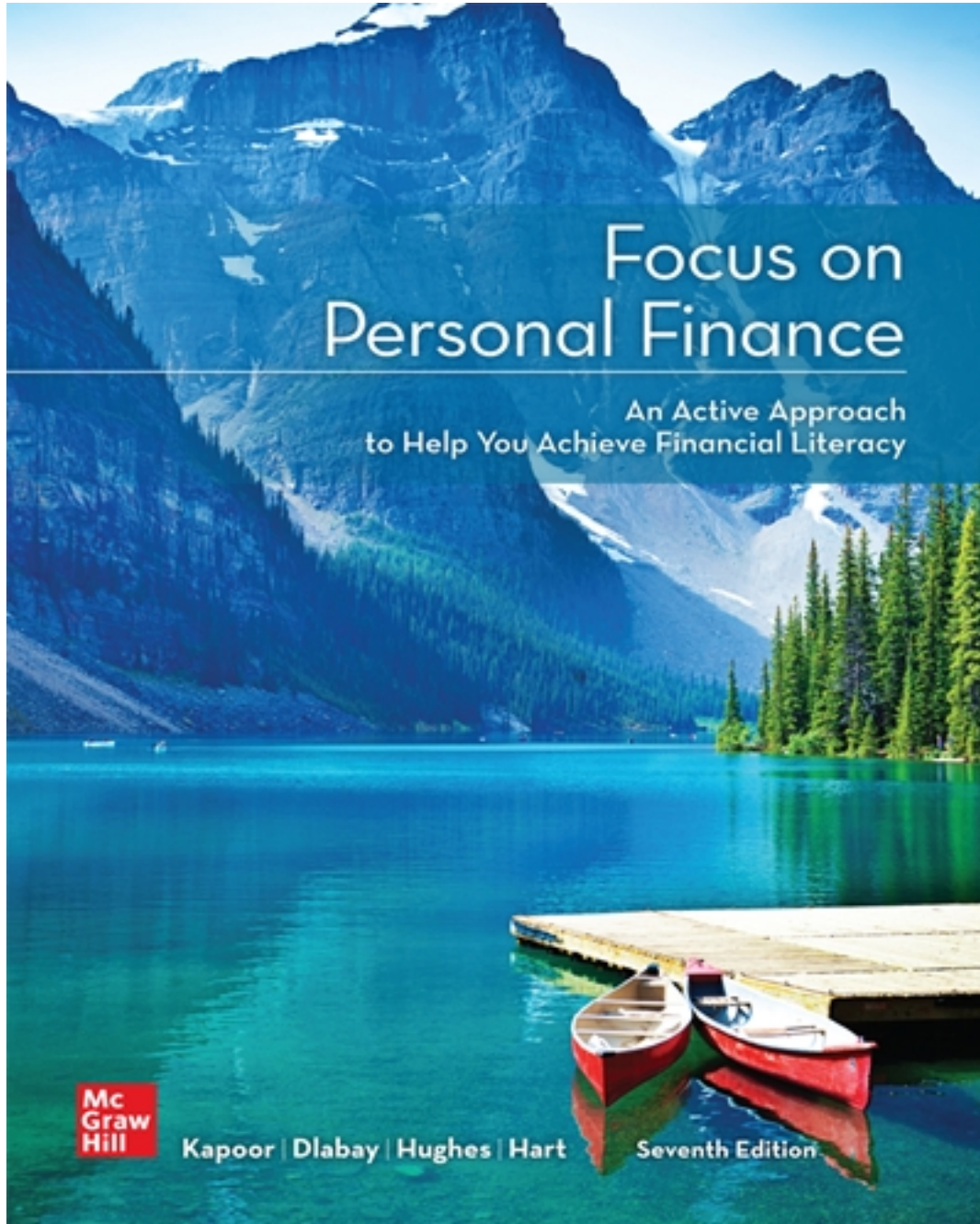


# Test Bank for Focus on Personal Finance 7th Edition by Kapoor

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# Test Bank

## Focus on Personal Finance 7th Edition by Kapoor Ch01

Answers are located in the second half of this document.

**TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.**

1) Personal financial planning is the process of managing your money to achieve personal economic satisfaction.

- ☐ true
- ☐ false

### Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

2) A financial plan is an informal report that analyzes past financial decisions.

- ☐ true
- ☐ false

### Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

3) A financial plan can only be created using a money management software package.

- ☐ true
- ☐ false

### Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

## Focus on Personal Finance 7th Edition by Kapoor Ch01

4) Financial plans are only created by financial planners.

- ☐ true
- ☐ false

### Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

5) The life situation of a household includes a combination of personal factors such as age, income, household size, and personal beliefs.

- ☐ true
- ☐ false

### Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

6) The financial activities for a young, single person will probably be the same as those for an older couple with no dependent children at home.

- ☐ true
- ☐ false

### Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

## Focus on Personal Finance 7th Edition by Kapoor Ch01

- 7) Inflation is most harmful to people with incomes that are expected to increase.
- ☐ true
- ☐ false

### Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

- 8) Inflation is a rise in the general level of prices and it reduces the buying power of the dollar.
- ☐ true
- ☐ false

### Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

- 9) When prices are increasing at a rate of 4 percent, the cost of products will double in about 18 years.
- ☐ true
- ☐ false

## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**10)** As borrowing by consumers and businesses increases, interest rates are likely to decrease.

☐ true

☐ false

### Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**11)** Planned spending through budgeting is part of the "investing" component of financial planning activities.

☐ true

☐ false

### Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**12)** Retirement planning includes thinking about your housing situation, recreational activities, and possible volunteer or part-time work.

## Focus on Personal Finance 7th Edition by Kapoor Ch01

- ☐ true
- ☐ false

### Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**13)** Short-term goals are usually achieved within the next year or so.

- ☐ true
- ☐ false

### Question Details

Bloom's : Remember

Learning Objective : 01-02 Develop personal financial goals.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**14)** Intermediate goals are usually achieved within the next year or so.

- ☐ true
- ☐ false

### Question Details

Bloom's : Remember

Learning Objective : 01-02 Develop personal financial goals.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**15)** Purchasing an appliance is an example of a consumable-product goal.

- ☐ true
- ☐ false

## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Understand

Learning Objective : 01-02 Develop personal financial goals.

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

16) Purchasing a car is an example of a durable-product goal.

- ☐ true
- ☐ false

### Question Details

Bloom's : Understand

Learning Objective : 01-02 Develop personal financial goals.

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

17) Opportunity costs refer to money already spent.

- ☐ true
- ☐ false

### Question Details

Bloom's : Remember

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 1 Easy

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

18) Personal opportunity costs refer to resources, such as time, health, and energy that are given up when a choice is made.

- ☐ true
- ☐ false

## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Understand

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 2 Medium

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**19)** Interest earned is calculated by multiplying the principal times the time value of money.

- ☐ true
- ☐ false

### Question Details

Bloom's : Understand

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 2 Medium

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**20)** Risks associated with many financial decisions are easy to identify and evaluate.

- ☐ true
- ☐ false

### Question Details

Bloom's : Understand

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**21)** \$500 on deposit at 6 percent for 6 months would earn \$20.

- ☐ true
- ☐ false



## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

22) There are only three methods of calculating time value of money.

- ☐ true
- ☐ false

### Question Details

Bloom's : Understand

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 2 Medium

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

23) There are only three possible courses of action when developing alternatives for decision making.

- ☐ true
- ☐ false

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

24) Financial plans are created by individuals as well as by financial planners or by using a money management software package.

- ☐ true
- ☐ false

## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**25)** Inflation is most harmful to people with fixed incomes.

- ☐ true
- ☐ false

### Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**26)** An opportunity cost is what a person gives up when a choice is made.

- ☐ true
- ☐ false

### Question Details

Bloom's : Remember

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 2 Medium

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**27)** Short-term goals are usually achieved within three years.

- ☐ true
- ☐ false

## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Remember

Learning Objective : 01-02 Develop personal financial goals.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

- 28)** Risks associated with many financial decisions are difficult to identify and evaluate.
- ☐ true
  - ☐ false

### Question Details

Bloom's : Understand

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

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

- 29)** A formalized report that summarizes your current financial situation, analyzes your financial needs, and recommends future financial activities is a(n):

- A) Insurance prospectus.
- B) Financial plan.
- C) Budget.
- D) Investment forecast.
- E) Bank Statement.

## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**30)** The major function of personal financial planning is to:

- A) Reduce taxes.
- B) Increase savings.
- C) Achieve personal economic satisfaction.
- D) Improve your credit rating.
- E) Obtain adequate insurance protection.

### Question Details

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**31)** An advantage of effective personal financial planning is:

- A) The use of low-interest savings.
- B) Increased impulse spending.
- C) Increased control of financial affairs.
- D) More credit card debt.
- E) Less monitoring of investments.

## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**32)** The stages in the family situation and financial needs of an adult is called the:

- A) Financial planning process.
- B) Budgeting procedure.
- C) Personal economic cycle.
- D) Adult life cycle.
- E) Tax planning process.

### Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**33)** Jim Johnson was laid off from his job two months ago. He just received an offer for a position that pays  $\frac{3}{4}$  the salary of his old job. Why should he set up a financial plan?

- A) To increase the effectiveness of obtaining, using, and protecting his financial resources
- B) To decrease control of his financial affairs regarding debt
- C) To accept the loss of freedom from financial worries due to his new position
- D) To learn how to manage depending more on others
- E) To find out why he was laid off

## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**34)** The consumer price index measures:

- A) The prices of a fixed basket of goods and services in the United States.
- B) The prices of goods and services in rural areas across the globe.
- C) The average change in prices of a fixed basket of goods and services of urban consumers in the United States.
- D) The change in prices of a fixed basket of goods and services globally.
- E) The increase in prices for retail sales in the United States over a three-year period.

### Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**35)** The actual cost of living increase for a household will be:

## Focus on Personal Finance 7th Edition by Kapoor Ch01

- A) Greater than the inflation rate as reported by the CPI since the index excludes the product or service with the highest inflation rate for the past 12 months.
- B) Lower than the inflation rate as reported by the CPI since the index excludes the product or service with the lowest inflation rate for the past 12 months.
- C) Equal to the inflation rate as reported by the CPI since it includes all products and services whether or not the prices have changed in the past 12 months.
- D) Either greater than or less than the inflation rate as reported by the CPI depending on the household's cost of necessities purchased.
- E) Zero since the CPI does not measure consumer price changes.

### Question Details

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**36)** The Rule of 72 is:

- A) A tool to determine the number of years until retirement for an employee.
- B) Used to estimate how fast prices will double using a given annual inflation rate.
- C) The legal code for requiring companies to provide a match on retirement savings.
- D) Used to calculate interest rates for savings.
- E) The number of steps required to complete a financial plan.

### Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

## Focus on Personal Finance 7th Edition by Kapoor Ch01

37) Who is less likely to be harmed by inflation?

- A) Retired people
- B) Lenders
- C) Borrowers
- D) Fixed-income consumers
- E) Financial regulators

### Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

38) Increased consumer saving and investing is likely to be accompanied by:

- A) Lower union wages.
- B) Higher interest rates.
- C) Lower production costs.
- D) Lower interest rates.
- E) Higher inflation.

### Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic



## Focus on Personal Finance 7th Edition by Kapoor Ch01

39) An investor should expect to receive a *risk premium* for:

- A) Higher interest rates.
- B) Lower consumer prices.
- C) Higher uncertainty about getting his/her money back.
- D) Reduced credit ratings.
- E) Expected lower inflation.

### Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

40) Which of the following would increase the interest rate for a loan?

- A) Poor credit rating
- B) Higher down payment
- C) Expected lower inflation
- D) Lower consumer prices
- E) Short time to maturity

### Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

## Focus on Personal Finance 7th Edition by Kapoor Ch01

**41)** Patrick Guitman recently graduated from college with \$20,000 in student loans and \$5,000 in credit card debt. He usually makes minimum payments on his debt and he has been late with three payments in the last year. He wants to buy a new car but was told that his interest rate on a loan would be very high. What is the most likely reason this might be so?

- A) General interest rates are very low.
- B) His credit rating is below average due to missed payments.
- C) He already has a student loan outstanding.
- D) Recent graduates are not allowed to have more than \$25,000 in debt outstanding.
- E) Interest rates must be tied to the CPI.

### Question Details

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**42)** Attempts to increase income through employment are part of the \_\_\_\_\_ component of financial planning.

- A) obtaining
- B) planning
- C) saving
- D) borrowing
- E) spending

### Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

## Focus on Personal Finance 7th Edition by Kapoor Ch01

- 43) The 'borrowing' component in a financial plan relates to:
- A) Acquiring adequate insurance coverage.
  - B) Investing for long-term growth.
  - C) Setting up a budget.
  - D) Obtaining financial resources from employment, investments or ownership.
  - E) Maintaining control over credit-buying habits.

### Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

- 44) The problem of bankruptcy is associated with overuse and misuse of credit in the \_\_\_\_\_ component of financial planning.

- A) sharing
- B) saving
- C) obtaining
- D) borrowing
- E) protecting

### Question Details

Bloom's : Remember

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

- 45) The saving component of financial planning focuses on long-term security and includes:

## Focus on Personal Finance 7th Edition by Kapoor Ch01

- A) A regular savings plan for emergencies.
- B) A current will.
- C) Bankruptcy counseling.
- D) A realistic budget for your current financial situation.
- E) Minimizing transportation expenses through careful planning.

### Question Details

Bloom's : Understand

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**46)** Which of the following *short-term* goals is stated most clearly using the SMART approach?

- A) A. Within the next 6 months, buy a car for less than \$15,000.
- B) B. Retire in 10 years at age 65 with \$2,000,000 in my 401(k) account.
- C) C. Purchase a house with a mortgage no greater than \$150,000 within 5 years.
- D) D. Set up an emergency fund.
- E) E. Invest \$50 per month for the next 12 years for my nephew's college fund.

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-02 Develop personal financial goals.

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**47)** Which of the following *long-term* goals is stated most clearly using the SMART approach?

## Focus on Personal Finance 7th Edition by Kapoor Ch01

- A) A. Buy a car for less than \$15,000 within 6 months.
- B) B. Retire in 10 years at age 65.
- C) C. Purchase a house with a mortgage no greater than \$150,000 within 5 years.
- D) D. Set up an emergency fund.
- E) E. Invest \$50 per month for the next 12 years for my nephew's college fund.

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-02 Develop personal financial goals.

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**48)** Which of the following *intermediate goals* is stated most clearly using the SMART approach?

- A) A. Buy a car for less than \$15,000 within 6 months.
- B) B. Retire in 10 years at age 65 with \$2,000,000 in my 401(k) account.
- C) C. Purchase a house within the next 5 years with a mortgage no greater than \$150,000.
- D) D. Set up an emergency fund.
- E) E. Invest \$50 per month for the next 12 years for my nephew's college fund.

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-02 Develop personal financial goals.

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**49)** Which of the following goals contains elements for implementation and measurement?

## Focus on Personal Finance 7th Edition by Kapoor Ch01

- A) Put money into an investment fund.
- B) Reduce credit card debt.
- C) Save funds for an annual vacation.
- D) Save \$100 a month to create a \$2,400 emergency fund in 2 years.
- E) Spend less each month.

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-02 Develop personal financial goals.

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**50)** The goal of investing \$50 per month for the next 12 years for your nephew's college fund is a(n) \_\_\_\_\_ goal.

- A) short-term
- B) intermediate
- C) long-term
- D) intangible
- E) durable

### Question Details

Bloom's : Understand

Learning Objective : 01-02 Develop personal financial goals.

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**51)** Many Americans have money problems because of:

## Focus on Personal Finance 7th Edition by Kapoor Ch01

- A) Poor planning and weak money management habits.
- B) Too many clearly defined goals.
- C) Proper use of credit.
- D) Insufficient advertising to make effective decisions.
- E) Controlled spending.

### Question Details

Bloom's : Understand

Learning Objective : 01-02 Develop personal financial goals.

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**52)** Susan Smith has a goal of saving \$25 per month for a TV. Considering the SMART approach, Susan's goal lacks:

- A) Measurable terms.
- B) A realistic perspective.
- C) An action orientation.
- D) A specific objective.
- E) A time frame.

### Question Details

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-02 Develop personal financial goals.

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**53)** Which of the following is correct?

## Focus on Personal Finance 7th Edition by Kapoor Ch01

- A) A car purchase is a consumable-product goal.
- B) Entertainment is a durable-product goal.
- C) Appliances and sporting equipment are intangible-purchase goals.
- D) Leisure and education are durable-product goals.
- E) Food and clothing are consumable-product goals.

### Question Details

Bloom's : Understand

Learning Objective : 01-02 Develop personal financial goals.

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

54) \_\_\_\_\_ goals relate to infrequently purchased, expensive tangible items.

- A) Short-term
- B) Intangible-purchase
- C) Durable-product
- D) Consumable-products
- E) Intermediate

### Question Details

Bloom's : Understand

Learning Objective : 01-02 Develop personal financial goals.

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

55) To develop financial goals, one should:



## Focus on Personal Finance 7th Edition by Kapoor Ch01

- A) Set several general goals for the short-term.
- B) Only set long-term goals after short-term goals have been accomplished.
- C) Focus on intermediate goals first.
- D) Identify specific, realistic goals that are measurable along with a time frame and an action plan.
- E) Not worry about whether or not the goals can be achieved based on one's income and life situation.

### Question Details

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-02 Develop personal financial goals.

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**56)** The goal of purchasing a long-term care insurance policy would be most appropriate for:

- A) A young couple without children.
- B) A single parent with a preschool daughter.
- C) An unmarried couple without children.
- D) An older single person with children.
- E) A young single individual.

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-02 Develop personal financial goals.

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**57)** Opportunity cost refers to:

## Focus on Personal Finance 7th Edition by Kapoor Ch01

- A) Money needed for major consumer purchases.
- B) What you give up by making a choice.
- C) The amount paid for taxes when a purchase is made.
- D) Current interest rates.
- E) Evaluating different alternatives for financial decisions.

### Question Details

Bloom's : Remember

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 1 Easy

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**58)** Robert Brown is interested in attending a concert next weekend. Unfortunately, he is scheduled to work. If he finds a substitute for his shift so he can attend the concert, what kind of cost is he incurring?

- A) Personal opportunity cost relating to health
- B) Personal opportunity cost relating to time
- C) Personal opportunity cost relating to abilities
- D) Personal opportunity cost relating to knowledge
- E) Unexpected personal opportunity cost

### Question Details

Bloom's : Understand

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 2 Medium

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**59)** Which of the following is an example of a financial opportunity cost?

## Focus on Personal Finance 7th Edition by Kapoor Ch01

- A) Renting an apartment near school
- B) Forgoing wages to attend school
- C) Organizing income tax records
- D) Purchasing automobile insurance
- E) Using a personal computer for financial planning

### Question Details

Bloom's : Understand

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 2 Medium

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**60)** An example of a personal opportunity cost would be:

- A) Interest lost by using savings to make a purchase.
- B) Higher earnings achieved on savings that must be kept on deposit a minimum of six months.
- C) Wages lost due to continuing as a full-time student.
- D) Time spent comparing several brands of personal computers.
- E) Having to pay a tax penalty due to not having enough withheld from your monthly salary.

### Question Details

Bloom's : Understand

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 2 Medium

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**61)** Which of the following best describes the concept of the time value of money?

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- A) Personal opportunity costs such as time lost on an activity
- B) Financial decisions that require borrowing funds from a financial institution
- C) Changes in interest rates due to changes in the supply and demand for money in our economy
- D) Increases in amounts of money as a result of interest earned
- E) Changes to demographic trends in our society

### Question Details

Bloom's : Remember

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 1 Easy

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**62)** If I can invest a dollar today and earn interest on it, then it should be worth \_\_\_\_\_ in the future.

- A) less
- B) the same
- C) more
- D) either less or the same
- E) either the same or more

### Question Details

Bloom's : Understand

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 2 Medium

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**63)** To calculate the time value of money, we need to consider all of the following *except* the:

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- A) Amount of the savings.
- B) Annual interest rate.
- C) Length of time the money is on deposit.
- D) Type of investment.
- E) Principal.

### Question Details

Bloom's : Understand

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 2 Medium

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**64)** Future value computations are often referred to as:

- A) Discounting.
- B) Presenting.
- C) Compounding.
- D) Simple interest.
- E) Annuities.

### Question Details

Bloom's : Remember

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 1 Easy

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**65)** Present value computations are also referred to as:

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- A) Discounting.
- B) Forecasting.
- C) Compounding.
- D) Simple interest.
- E) Annuities.

### Question Details

Bloom's : Remember

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Difficulty : 1 Easy

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**66)** Steve Wilson wants to deposit \$150 per month into an account earning 4 percent for the next 3 years so he can purchase a used car at that time. What type of computation would he use to determine the amount he will have accumulated for his purchase?

- A) Present value of a single amount
- B) Future value of a single amount
- C) Simple interest
- D) Present value of an annuity
- E) Future value of an annuity

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**67)** Rhonda Miller wants to take out a 4-year loan to purchase a car. What type of computation would she use to calculate her monthly payments?

## Focus on Personal Finance 7th Edition by Kapoor Ch01

- A) Present value of a single amount
- B) Future value of a single amount
- C) Simple interest
- D) Present value of an annuity
- E) Future value of an annuity

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**68)** Tim Taylor received a \$500 gift from his grandparents. He wants to invest this money for the down payment of a house that he plans to purchase in 3 years. What type of computation should he use?

- A) Present value of a single amount
- B) Future value of a single amount
- C) Simple interest
- D) Present value of an annuity
- E) Future value of an annuity

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**69)** Jennifer Rodriguez plans to attend graduate school in 5 years. She thinks that she will need a total of \$32,000 to pay for school, and she wants to save money each month to reach her goal. What type of computation should she use?

## Focus on Personal Finance 7th Edition by Kapoor Ch01

- A) Present value of a single amount
- B) Future value of a single amount
- C) Simple interest
- D) Present value of an annuity
- E) Future value of an annuity

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**70)** Paul Davis wants to deposit a lump sum of money today for a vacation that he plans to take to Asia after he graduates from graduate school. Which formula should he use to determine the amount of money he will have available for his vacation?

- A) Present value of a single amount
- B) Future value of a single amount
- C) Simple interest
- D) Present value of an annuity
- E) Future value of an annuity

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**71)** The first step of the financial planning process is to:



## Focus on Personal Finance 7th Edition by Kapoor Ch01

- A) Develop financial goals.
- B) Implement the financial plan.
- C) Determine your current financial situation.
- D) Evaluate and revise the financial plan.
- E) Create a financial action plan.

### Question Details

Bloom's : Remember

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**72)** Making financial decisions related to income involves all of the following *except*:

- A) Spending.
- B) Saving.
- C) Sharing.
- D) Taking.
- E) Discounting.

### Question Details

Bloom's : Remember

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

## Focus on Personal Finance 7th Edition by Kapoor Ch01

**73)** Place the following steps for a personal financial plan in the proper order:

1. Review and revise the financial plan
2. Identify alternative courses of action
3. Create and implement your financial action plan
4. Determine your current financial situation
5. Evaluate alternatives
6. Develop your financial goals

- A) 6, 1, 2, 5, 3, 4.
- B) 4, 2, 6, 5, 3, 1.
- C) 3, 6, 4, 2, 5, 1.
- D) 4, 6, 2, 5, 3, 1.
- E) 6, 2, 5, 4, 1, 3.

### Question Details

Bloom's : Analyze

Difficulty : 3 Hard

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**74)** Every decision involves uncertainty, which is referred to as:

- A) Consequences of choices.
- B) Alternative courses of action.
- C) Financial goals.
- D) Personal values.
- E) Evaluating risk.

## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Remember

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**75)** Changes in the cost of money is referred to as \_\_\_\_\_ risk.

- A) interest rate
- B) inflation
- C) income
- D) personal
- E) liquidity

### Question Details

Bloom's : Remember

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**76)** The rising or falling of prices that causes changes in buying power is referred to as \_\_\_\_\_ risk.

- A) interest rate
- B) inflation
- C) income
- D) personal
- E) liquidity

## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Remember

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

77) The loss of a job or encountering an illness results in \_\_\_\_\_ risk.

- A) interest rate
- B) inflation
- C) income
- D) liquidity
- E) personal

### Question Details

Bloom's : Remember

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

78) The tangible and intangible factors that create a less than desirable situation is referred to as \_\_\_\_\_ risk.

- A) interest rate
- B) inflation
- C) income
- D) liquidity
- E) personal

## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Remember

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**79)** The difficulty of converting savings and investments to cash is referred to as \_\_\_\_\_ risk.

- A) interest rate
- B) inflation
- C) income
- D) personal
- E) liquidity

### Question Details

Bloom's : Remember

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 1 Easy

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**80)** Changes in personal, social, and economic factors may require you to:

- A) Review and revise your financial plan more frequently.
- B) Implement your financial action plan.
- C) Develop your financial goals.
- D) Determine your current financial situation.
- E) Create your financial plan of action.

## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Understand

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**81)** The step in the personal financial planning process that follows immediately after the step "Create and implement your financial action plan" is:

- A) Review and revise your financial plan.
- B) Identify alternative courses of action.
- C) Determine your current financial situation.
- D) Evaluate alternatives.
- E) Develop your financial goals.

### Question Details

Bloom's : Understand

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 2 Medium

Topic : Financial Planning

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**82)** Using the services of financial institutions or financial specialists (such as insurance agents, certified financial planners or investment advisers) to seek relevant information is done in which step in the financial planning process?

- A) Develop your financial goals.
- B) Review and revise your financial plan.
- C) Determine your current financial situation.
- D) Evaluate your alternatives.
- E) Brainstorm a wishlist of goals.

## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Understand

Learning Objective : 01-04 Implement a plan for making personal financial and career decisions.

Difficulty : 2 Medium

Topic : Financial Planning

Topic : Financial Services and Institutions

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**83)** If inflation is expected to be 8 percent, how long will it take for prices to double?

A) 6 years

B) 7 years

C) 9 years

D) 12 years

E) 18 years

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**84)** If a \$10,000 investment earns interest of \$500 in 1 year, what is its rate of return?

A) 5 percent

B) 10 percent

C) 50 percent

D) 75 percent

E) 100 percent

## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**85)** If a \$10,000 investment earns a 4 percent annual return, what should its value be after 1 year?

- A) \$100
- B) \$400
- C) \$4,000
- D) \$10,000
- E) \$10,400

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**86)** If a \$10,000 investment earns a 7 percent annual return, what should its value be after 6 years? Use Exhibit 1-A.

- A) \$10,000
- B) \$10,700
- C) \$15,000
- D) \$15,010
- E) \$15,100



## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**87)** If Melinda Miller estimates that her \$100 weekly grocery bill will increase at an annual inflation rate of 4 percent, what should her weekly grocery bill be in 3 years? Use Exhibit 1-A.

- A) \$100.00
- B) \$130.40
- C) \$112.50
- D) \$114.00
- E) \$121.60

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**88)** If you deposit \$500 into a certificate of deposit earning 3 percent, what would be your earnings after 12 months?

- A) \$5.00
- B) \$15.00
- C) \$25.00
- D) \$30.00
- E) \$500.00

## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**89)** Randy Hill wants to retire in 20 years with \$1,000,000. If he can earn 10 percent per year on his investments, how much does he need to deposit each year to reach his goal? Use Exhibit 1-B. **(Round your answer to the nearest dollar.)**

- A) \$17,460
- B) \$18,000
- C) \$5,727
- D) \$25,000
- E) None of these choices are correct.

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**90)** If you begin saving \$2,000 a year at 5 percent (from age 22 to age 30 or 9 years), what will these funds grow to in this time period?

- A) \$2,000
- B) \$11,970
- C) \$18,000
- D) \$22,054
- E) \$30,500

## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**91)** If you want \$1,000 in 3 years and you earn 4 percent on your savings, how much do you need to deposit now?

- A) \$885
- B) \$889
- C) \$1,000
- D) \$1,030
- E) \$1,040

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**92)** If inflation is expected to be 9.70 percent, how long will it take for prices to double?

- A) 7.42 years
- B) 6.42 years
- C) 11.42 years
- D) 5.42 years
- E) 17.42 years

## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Learning Objective : 01-01 Identify social and economic influences on financial literacy and personal

Topic : Financial Planning

Topic : Finance and Economics

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

**93)** If a \$10,000 investment earns interest of \$1,100 in 1 year, what is its rate of return?

- A) 76 percent
- B) 100 percent
- C) 11 percent
- D) 22 percent
- E) 56 percent

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

**94)** If a \$10,000 investment earns a 3 percent annual return, what should its value be after 1 year?

- A) \$3,000
- B) \$3,100
- C) \$10,030
- D) \$10,000
- E) \$10,300

## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

**95)** If a \$15,000 investment earns a 7 percent annual return, what should its value be after 5 years? Use Exhibit 1-A.

- A) \$20,250
- B) \$15,053
- C) \$16,050
- D) \$21,045
- E) \$20,050

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

**96)** If Melinda Miller estimates that her \$350 weekly grocery bill will increase at an annual inflation rate of 5 percent, what should her weekly grocery bill be in 4 years? Use Exhibit 1-A.

- A) \$140.00
- B) \$175.00
- C) \$425.60
- D) \$527.60
- E) \$434.70

## Focus on Personal Finance 7th Edition by Kapoor Ch01

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

**97)** If you deposit \$500 into a certificate of deposit earning 3.9 percent, what would be your earnings after 12 months?

- A) \$539.00
- B) \$500.00
- C) \$22.00
- D) \$19.50
- E) \$17.00

### Question Details

Bloom's : Apply

Difficulty : 3 Hard

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

**98)** Randy Hill wants to retire in 15 years with \$1,000,000. If he can earn 8 percent per year on his investments, how much does he need to deposit each year to reach his goal? Use Exhibit 1-B. **(Round your answer to the nearest dollar.)**

- A) \$36,830
- B) \$33,334
- C) \$66,667
- D) \$2,715
- E) None of these choices are correct.

## **Focus on Personal Finance 7th Edition by Kapoor Ch01**

### **Question Details**

Bloom's : Apply

Difficulty : 3 Hard

Accessibility : Keyboard Navigation

Accessibility : Screen Reader Compatible

Gradable : automatic

Learning Objective : 01-03 Calculate time value of money situations to analyze personal financial dec

Topic : Time Value of Money

## **Focus on Personal Finance 7th Edition by Kapoor Ch01**

### **Answer Key**

Test name: 001

1) TRUE

2) FALSE

A financial plan is a formal report that summarizes your current financial situation, analyzes financial needs, and recommends future financial activities.

3) FALSE

A financial plan can be created on your own, you can seek assistance from a financial planner, or you may use a money management software package.

4) FALSE

Financial plans are created by individuals as well as by financial planners or by using a money management software package.

5) TRUE

6) FALSE

Specialized financial activities differ for a young, single versus an older couple without children.

7) FALSE

Inflation is most harmful to people with fixed incomes.

8) TRUE

9) TRUE

Use the Rule of 72: ( $72/4 = 18$  years).

10) FALSE

As borrowing by consumers and businesses increases, it is more likely that interest rates will increase. Interest rates are the “price” for money and as the demand for something increases relative to supply, price for that thing will increase.



## **Focus on Personal Finance 7th Edition by Kapoor Ch01**

11) FALSE

It is part of the "planning" activity.

12) TRUE

13) TRUE

14) FALSE

Intermediate goals have a time frame of 2 to 5 years.

15) FALSE

Purchasing an appliance is a durable-product goal.

16) TRUE

17) FALSE

An opportunity cost is what a person gives up when a choice is made to pursue a certain action.

18) TRUE

19) FALSE

Interest earned = principal (amount in savings)  $\times$  annual interest rate  $\times$  time period (in years).

20) FALSE

These risks are difficult to identify and evaluate.

21) FALSE

$\$500 \times 0.06 \times 6 \text{ mo}/12 \text{ mo} = \$15$  interest earned

22) FALSE

There are five methods for calculating time value of money: formula calculation, time value of money tables, financial calculator, spreadsheet software, and websites/apps.

23) FALSE

There are four possible courses of action when making decisions: continue the same course of action, expand the current situation, change the current situation, and take a new course of action.

24) TRUE

25) TRUE

## **Focus on Personal Finance 7th Edition by Kapoor Ch01**

26) TRUE

27) FALSE

Short-term goals are usually achieved within the next year or so.

28) TRUE

29) B

30) C

31) C

32) D

33) A

34) C

35) D

36) B

37) C

38) D

39) C

40) A

41) B

42) A

43) E

44) D

45) A

46) A

The only clearly stated short-term goal listed is A. B and E are long-term goals. C is an intermediate goal. D is a short-term goal that is not measurable and does not have a time limit.

47) E

The only clearly stated long-term goal listed is E. A is a short-term goal. B is a long-term goal; however, it is not measurable. C is an intermediate goal. D is a short-term goal that is not measurable and does not have a time limit.

## **Focus on Personal Finance 7th Edition by Kapoor Ch01**

48) C

The only clearly stated intermediate term goal listed is C. A is a short-term goal; B and E are long-term goals. D is a short-term goal that is not measurable and does not have a time limit.

49) D

50) C

51) A

52) E

53) E

54) C

55) D

56) D

See Exhibit 1-1 for specialized financial activities for various life situations.

57) B

58) B

59) B

60) D

Time is an important personal opportunity cost.

61) D

62) C

63) D

64) C

65) A

66) E

67) D

68) B

69) E

70) B

71) C

## Focus on Personal Finance 7th Edition by Kapoor Ch01

72) D

73) D

74) E

75) A

Interest-rate risk affects the costs of borrowing and the benefits of saving or investing.

76) B

77) C

78) E

79) E

80) A

81) A

82) D

83) C

Rule of 72:  $(72/8 = 9 \text{ years})$ .

84) A

Solve for rate:

Principal  $\times$  rate  $\times$  time = interest

$(\$10,000 \times \text{rate} \times 1 \text{ year}) = \$500 \rightarrow \$10,000 \times \text{rate} = \$500 \rightarrow \text{rate} = \$500/\$10,000 = 0.05, \text{ or } 5\%$

85) E

Future value = principal + interest

$\$10,000 + (10,000 \times 0.04 \times 1 \text{ year}) = \$10,000 + \$400 = \$10,400$

86) D

Correct answer uses Exhibit 1-A (Future Value of \$1 after a Given Number of Time Periods).

$\$10,000 \times 1.501 = \$15,010.$

87) C

## **Focus on Personal Finance 7th Edition by Kapoor Ch01**

Correct answer uses Exhibit 1-A (Future Value of \$1 after a Given Number of Time Periods).

$$\$100 \times 1.125 = \$112.50.$$

88) B

$$\text{Future value} = \$500 \times 0.03 \times 1 \text{ year} = \$15.00$$

89) A

Correct answer uses 10 percent for 20 periods in Exhibit 1-B table (Future Value of an Annuity).

$$\text{Future value} = \text{annual deposit} \times \text{factor} = \$1,000,000 = \text{annual deposit} \times 57.275$$

$$\text{Annual deposit} = \$1,000,000 / 57.275 = \$17,460 \text{ (rounded).}$$

This can also be solved using computer or calculator functions using the following variables:

$$N = 20, I = 10, PV = 0, FV = 1,000,000. \text{ Solve for PMT: } \$17,460 \text{ (rounded).}$$

90) D

Correct answer uses 5% for 9 periods in Exhibit 1-B (Future Value of an Annuity).

$$\$2,000 \times \text{factor } 11.027 = \$22,054$$

91) B

Correct answer uses 4% for 3 periods in Exhibit 1-C (Present Value of \$1 to Be Received at the End of a Given Number of Time Periods).

$$\$1,000 \times \text{factor } 0.889 = \$889$$

92) A

$$\text{Rule of 72: } (72 / 9.70 = 7.42 \text{ years}).$$

93) C

## Focus on Personal Finance 7th Edition by Kapoor Ch01

Solve for rate:

Principal  $\times$  rate  $\times$  time = interest

$(\$10,000 \times \text{rate} \times 1 \text{ year}) = \$1,100 \rightarrow \$10,000 \times \text{rate} = \$1,100 \rightarrow \text{rate} = \$1,100/\$10,000 = 0.11$ , or 11%

94) E

Future value = principal + interest

$\$10,000 + (10,000 \times 0.030 \times 1 \text{ year}) = \$10,000 + \$300 = \$10,300$

95) D

Correct answer uses Exhibit 1-A (Future Value of \$1 after a Given Number of Time Periods).

$\$15,000 \times 1.403 = \$21,045$ .

96) C

Correct answer uses Exhibit 1-A (Future Value of \$1 after a Given Number of Time Periods).

$\$350 \times 1.216 = \$425.60$ .

97) D

Future value =  $\$500 \times 0.039 \times 1 \text{ year} = \$19.50$

98) A

Correct answer uses 8 percent for 15 periods in Exhibit 1-B table (Future Value of an Annuity).

Future value = annual deposit  $\times$  factor =  $\$1,000,000 = \text{annual deposit} \times 27.152$

Annual deposit =  $\$1,000,000/27.152 = \$36,830$  (rounded).

This can also be solved using computer or calculator functions using the following variables:

N = 15, I = 8, PV = 0, FV = 1,000,000. Solve for PMT: \$36,830 (rounded).