Personal Finance 2025 Release 1st edition Kapoor Test Bank

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Corret Answers are located at the end of each chapter.

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

1) If inflation is increasing at 7.2 percent per year, and your salary increases at the same rate, how long will it take your salary to double?
Note: Round up your answer to the next whole number.
   A) 12 years
   B) 10 years
   C) 8 years
   D) 6 years
   E) 14 years

2) When prices are increasing at a rate of 12 percent, the cost of products would double in about how many years?
   A) 12 years
   B) 7 years
   C) 6 years
   D) 8 years
   E) 5 years

3) If you desire your savings to double in 4 years, what rate of return would you need to earn?
Note: Use the Rule of 72.
   A) 18.00 percent
   B) 19.30 percent
   C) 15.80 percent
   D) 16.90 percent
   E) 20.20 percent

4) A family spends $38,000 on living expenses. With an annual inflation rate of 5 percent, they can expect to spend approximately __________blank in one year.
   A) $42,304
   B) $44,004
   C) $41,604
   D) $39,900
   E) $46,304

5) The future value of $2,400 deposited each year for 7 years earning 6 percent would be *approximately* how much?
Note: Do not round intermediate calculations. Round your final answer to the nearest dollar amount.
A) $20,145
B) $22,945
C) $21,245
D) $16,800
E) $17,808

Answer Key

Test name: Chapter 01-01

1) B
2) C
3) A
4) D
5) A

Corret Answers are located at the end of each chapter.

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

1) Long-term financial security can be achieved through frugal living and wise investing.
   - ⦾ true
   - ⦾ false

2) An opportunity fund is when money is set aside to expand ones income and net worth, or can be used to invest in oneself through higher education.
   - ⦾ true
   - ⦾ false

3) The purpose of a tariff, also known as an import tax, is to decrease the trade deficit, which always has the effect intended.
   - ⦾ true
   - ⦾ false

4) Increased demand for a product or service will usually result in lower prices for the item.
   - ⦾ true
   - ⦾ false

5) Inflation reduces the buying power of the dollar.
   - ⦾ true
   - ⦾ false

6) Lenders benefit more than borrowers in times of high inflation.
   - ⦾ true
   - ⦾ false

7) Economics is the study of using money to achieve financial goals.
   - ⦾ true
   - ⦾ false

8) Reduced consumer spending may be caused by unemployment due to a layoff.

- ⊙ true
- ⊙ false

9) A financial plan is another name for a budget.

- ⊙ true
- ⊙ false

10) Developing and using a budget is part of the "obtaining" component of financial planning.

- ⊙ true
- ⊙ false

11) Planning to buy a car is an example of an intangible-purchase goal.

- ⊙ true
- ⊙ false

12) Opportunity costs refer to what a person gives up when making a choice.

- ⊙ true
- ⊙ false

13) Personal opportunity costs refer to time, effort, and health that are given up when a decision is made.

- ⊙ true
- ⊙ false

14) Time value of money refers to changes in consumer spending when inflation occurs.

- ⊙ true
- ⊙ false

15) Interest on savings is calculated by multiplying the principal amount times the opportunity cost times the annual interest rate.

- ⦾ true
- ⦾ false

16) Present value is often referred to as compounding.

- ⦾ true
- ⦾ false

17) Present value computations are used to determine how much you need to deposit now so that you can withdraw a specified amount for a set number of years.

- ⦾ true
- ⦾ false

18) Opportunity costs are viewed only in terms of financial resources.

- ⦾ true
- ⦾ false

19) Gross domestic product (GDP) measures the total value of goods and services produced within a country's borders, excluding items produced with foreign resources.

- ⦾ true
- ⦾ false

20) Estate planning arranges for the transfer of finances and valuables to others when incapacity, illness, or death occurs.

- ⦾ true
- ⦾ false

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

21) Which of the following are benefits to financial literacy?

A. Increased effectiveness in obtaining, using, and protecting financial resources
B. Expanded control of financial activities
C. Excessive debt, bankruptcy, and dependence on others for financial security

A) Only A
B) Only B
C) Only C
D) Only A and B
E) Only B and C

22) Personal financial activities involve which three main decision areas?

A) Spending, operating, and sharing
B) Spending, using, and operating
C) Operating, using, and saving
D) Balancing, investing, and budgeting
E) Spending, saving, and sharing

23) The main goal of personal financial planning is managing your money to:

A) save and invest for future needs.
B) reduce a person's tax liability.
C) achieve personal economic satisfaction.
D) spend to achieve financial objectives.
E) save, spend, and borrow based on current needs.

24) Inflation is likely to result from:

A) lower demand by consumers.
B) increased production by business.
C) lower interest rates.
D) increased demand by consumers without increased supply.
E) an increase in the supply of a product.

25) Who is *most likely* to benefit from inflation?

A) Retired people
B) Lenders
C) Borrowers
D) Low-income consumers
E) Government

26) Higher consumer prices are likely to be accompanied by:

A) lower union wages.
B) lower interest rates.
C) lower production costs.
D) higher interest rates.
E) higher exports.

27) With an inflation rate of 8 percent, prices would double in about _____________ years.

A) 4
B) 6
C) 9
D) 10
E) 12

28) Increased consumer spending will usually cause:

A) lower consumer prices.
B) reduced employment levels.
C) lower wages.
D) lower interest rates.
E) higher employment levels.

29) Higher interest rates can be caused by:

A) a lower money supply.
B) an increase in the money supply.
C) a decrease in consumer borrowing.
D) lower consumer spending.
E) increased saving and investing by consumers.

30) The risk premium you receive as a *saver* is based:

A) on your credit rating.

B) on the amount of money you are borrowing.

C) only on the uncertainty associated with getting your money back.

D) only on the expected rate of inflation.

E) in part on the uncertainty associated with getting your money back and the expected rate of inflation.

31) Which of the following would increase the risk of a loan to the lender?

A) An inflation rate that is greater than the loan rate

B) A short time to maturity

C) The consumer price index

D) The rule of 72

E) A loan rate that is higher than the inflation rate.

32) The stages in the family and financial needs of an adult are called the:

A) financial planning process.

B) budgeting procedure.

C) personal economic cycle.

D) adult life cycle.

E) tax planning process.

33) The study of how wealth is created and distributed is:

A) financial planning.

B) opportunity cost.

C) inflation.

D) economics.

E) a market economy.

34) The main economic influence that causes inflation is:

A) changes in the stock market.

B) decreases in interest rates.

C) increases in employment.

D) decreases in government spending.

E) increases in demand without increases in supply.

35) *The Fed* refers to:

A) government regulation of business.
B) congress.
C) the Federal Reserve System.
D) the Federal Deposit Insurance Corporation.
E) spending by the federal government.

36) The main responsibility of *The Fed* is to:

A) maintain an adequate supply of money.
B) approve spending by Congress.
C) set federal income tax rates.
D) determine illegal business activities.
E) maintain a balanced budget for the federal government.

37) Some savings and investment choices have the potential for higher earnings. However, these may also be difficult to convert to cash when you need the funds. This problem refers to:

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

38) Which of the following would cause consumer prices to drop?

A) Increased consumer borrowing
B) Higher spending by consumers
C) A demand for higher wages
D) Hidden inflation
E) Increased supply by business without increased consumer demand

39) Attempts to increase financial resources are part of the __________ component of financial planning.

A) planning
B) obtaining
C) saving
D) sharing
E) protecting

40) A major activity in the planning component of financial planning is:

A) selecting insurance coverage.
B) evaluating investment alternatives.
C) gaining occupational training and experience.
D) anticipating spending through budgeting.
E) establishing a line of credit.

41) The ability to readily convert financial resources into cash without loss of value is referred to as:

A) bankruptcy.
B) liquidity.
C) investing.
D) saving.
E) opportunity cost.

42) The problem of bankruptcy is associated with misuse of credit in the _____________ component of financial planning.

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

43) Which of the following is a question associated with the saving component of financial planning?

A) Do you have an adequate emergency fund?
B) Is your will current?
C) Is your investment program appropriate to your income and tax situation?
D) Do you have a realistic budget for your current financial situation?
E) Are your transportation expenses minimized through careful planning?

44) A formalized report that summarizes your current financial situation, analyses your financial needs, and recommends future financial activities is a(n):

A) insurance prospectus.
B) financial plan.
C) budget.
D) investment forecast.
E) statement.

45) When an individual makes a purchase without considering the financial consequences of that purchase, the individual ignores the _____________ aspect of financial planning.

A) borrowing
B) risk management
C) spending
D) retirement and estate planning
E) obtaining

46) The success of a financial plan will be determined by:

A) the amount of debts owed.
B) the stage of the adult life cycle.
C) a person's tax status.
D) the individual's financial habits.
E) current economic conditions.

47) As Olivia Wilson plans to set aside funds for her young children's college education, she is setting a(n) _____________ goal.

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

48) Which type of goals relate to personal relationships, health, and education?

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

49) William Davis has a goal of "saving $60 a month for vacation." William’s goal lacks:

A) measurable terms.
B) a realistic perspective.
C) specific terms.
D) the type of action to be taken.
E) a time frame.

50) Financial goals should take a SMART approach. What does SMART stand for?

A) Specific, meaningful, action orientated, real time, timely
B) Specific, measurable, action orientated, real time, timely
C) Specific, measurable, action orientated, realistic, time-based
D) Specific, measurable, action orientated, realistic, time-agnostic
E) Specific, meaningful, action items, realistic, timely

51) Which of the following goals would be the easiest to implement and measure its accomplishment?

A) "Reduce our debt payments."
B) "Save funds for an annual vacation."
C) "Save $50 a month to create a $2,000 emergency fund."
D) "Invest $1,200 a year for retirement."
E) "Increase our emergency fund."

52) Opportunity cost refers to:

A) money needed for major consumer purchases.
B) what a person gives up by making a choice.
C) the amount of taxes paid when a purchase is made.
D) current interest rates.
E) evaluating different alternatives for financial decisions.

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

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

54) The time value of money refers to:

A) 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 an amount of money as a result of interest earned.
E) changing demographic trends in our society.

55) The amount of interest is determined by multiplying the amount in savings by the:

A) annual interest rate.
B) time period.
C) number of months in a year.
D) time period and number of months.
E) annual interest rate and the time period.

56) If a person deposited $75 a month for 5 years earning 7 percent, this would involve what type of computation?

A) Simple interest
B) Future value of a single amount
C) Future value of a series of deposits
D) Present value of a single amount
E) Present value of a series of deposits

57) Which type of computation would a person use to determine the current value of a desired amount in the future?

A) Simple interest
B) Future value of a single amount
C) Future value of a series of deposits
D) Present value of a single amount
E) Compound interest

58) If inflation is increasing at 4 percent per year, and your salary increases at the same rate, how long will it take your salary to double?

A) 24 years
B) 18 years
C) 14 years
D) 12 years
E) 6 years

59) When prices are increasing at a rate of 12 percent, the cost of products would double in about how many years?

A) 24 years
B) 18 years
C) 12 years
D) 6 years
E) 3 years

60) Future value calculations involve:

A) discounting.
B) add-on interest.
C) compounding.
D) simple interest.
E) an annuity.

61) If you put $500 in a savings account and make no further deposits, what type of calculation would provide you with the value of the account in 10 years?

A) Future value of a single amount
B) Simple interest
C) Present value of a single amount
D) Present value of a series of deposits
E) Future value of a series of deposits

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

A) develop financial goals.
B) implement the financial plan.
C) determine your current financial situation.
D) review and revise your financial plan.
E) create a financial action plan.

63) Which of the following refers to changes in buying power during times of rising or falling prices?

A) Liquidity risk
B) Income risk
C) Personal risk
D) Inflation risk
E) Interest Rate risk

64) Which of the following is an example of opportunity cost?

A) Renting an apartment near school
B) Saving money instead of taking a vacation
C) Setting aside money for paying income tax
D) Purchasing automobile insurance
E) Using a personal computer for financial planning

65) The changing cost of money when borrowing is referred to as ______________ risk.

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

66) The uncertainty associated with every decision is referred to as:

A) opportunity cost.
B) selection of alternatives.
C) financial goals.
D) personal values.
E) risk.

67) The financial planning process concludes with efforts to:

A) develop financial goals.
B) create a financial action plan.
C) determine your current financial situation.
D) implement the financial action plan.
E) review and revise your financial plan.

68) Using the services of financial institutions to research a situation will be most evident in your effort to:

A) develop financial goals.
B) review and revise your financial plan.
C) determine your current financial situation.
D) evaluate your alternatives.
E) create a financial action plan.

69) Changes in personal, social, and economic factors make it necessary to:

A) review and revise your financial plan.
B) implement the financial plan.
C) develop financial goals.
D) determine your current financial situation.
E) create a financial action plan.

70) Which of the following is usually considered a long-term financial strategy?

A) Creating a budget this year
B) Using savings to pay off a loan within one year
C) Renting an apartment for three years to save for the purchase of a home
D) Investing in a mutual fund for six years to accumulate retirement funds
E) Purchasing a six-month auto insurance policy to cover the needs of dependents

71) Sophia Martinez is assessing her balances. She expects to retire in the next year and has $675,000 in savings and investments and owns her own home that is worth $250,000. Which step in the financial planning process does this situation demonstrate?

A) Determining her current financial situation
B) Developing her financial goals
C) Identifying alternative courses of action
D) Evaluating her alternatives
E) Implementing her financial plan

72) Sophia Martinez wants to travel after she retires as well as pay off the balance of the loan she has on the home she owns. Which step in the financial planning process does this situation demonstrate?

A) Determining her current financial situation
B) Developing her financial goals
C) Identifying alternative courses of action
D) Evaluating her alternatives
E) Implementing her financial plan

73) Sophia Martinez wants to travel around the world. Sophia has three options she can pursue: she could continue to work full time to earn the money she needs for her trip, she could work part time so that she can still earn some money but have the time necessary to complete her trip, or she could take full retirement so that she has all the time necessary to complete her trip. Which step in the financial planning process does this scenario demonstrate?

A) Determining her current financial situation
B) Developing her financial goals
C) Identifying alternative courses of action
D) Evaluating her alternatives
E) Implementing her financial plan

74) Sophia Martinez knows that if she continues to work full time, it will be difficult for her to get the time off she needs to be able to travel around the world. However, if she continues to work full time she will more easily earn the money she needs to take her trip and still have money left for her living expenses after she gets back from her trip. Which step in the financial planning process does this scenario demonstrate?

A) Determining her current financial situation
B) Developing her financial goals
C) Identifying alternative courses of action
D) Evaluating her alternatives
E) Implementing her financial plan

75) Sophia Martinez has decided to retire and use the time she has earned to travel around the world. She has decided to start her trip around the world in Europe by train and bus and will use her savings to pay for her trip. Which step in the financial planning process does this scenario demonstrate?

A) Developing her financial goals
B) Identifying alternative courses of action
C) Evaluating her alternatives
D) Implementing her financial plan
E) Reviewing and revising her financial plan

76) Sophia Martinez's goal has been to travel around the world. She has been traveling for six months and she has decided she is a little tired of living out of a suitcase. She has decided to go home, look for a part-time job, and take shorter trips to locations around the world that appeal to her. Which step in the financial planning process does this scenario most likely demonstrate?

A) Developing her financial goals
B) Identifying alternative courses of action
C) Evaluating her alternatives
D) Implementing her financial plan
E) Reviewing and revising her financial plan

77) Patrick Jones is interested in purchasing a 65" LED TV for his living room. Patrick knows that right now the TV will cost approximately $500. He is not sure he can afford this TV right now but is worried that if he waits, the cost of the TV will rise to $800. Which type of risk is Patrick worried about?

A) Inflation risk
B) Interest rate risk
C) Income risk
D) Personal risk
E) Liquidity risk

78) Patrick Jones is interested in purchasing a 65" LED TV for his living room. He knows that right now the TV will cost approximately $500. Patrick wants to borrow the money to purchase the TV but is concerned that interest rates are going to fall in the future. He is worried that he might get stuck with a loan at a high interest rate. What type of risk is Patrick worried about?

A) Inflation risk
B) Interest rate risk
C) Income risk
D) Personal risk
E) Liquidity risk

79) Patrick Jones is interested in purchasing a 65" LED TV for his living room. He knows that right now the TV will cost approximately $500. However, Patrick is a little concerned about his job. Patrick is a pilot for Delta Airlines, and he thinks it is possible that he could be laid off in the near future. What type of risk is Patrick worried about?

A) Inflation risk
B) Interest rate risk
C) Income risk
D) Personal risk
E) Liquidity risk

80) Nia Rogers is considering investing in 30-year corporate bonds issued by Duke Energy Company. She knows that she will earn an interest rate of 6 percent by purchasing these bonds. However, she is concerned because she might need to take her money out of this investment in a year, and she has heard that she might have to sell the bonds at a significantly lower price than she will purchase them for. What type of risk is Nia concerned about?

A) Inflation risk
B) Interest rate risk
C) Income risk
D) Personal risk
E) Liquidity risk

81) Paulo Valle has just moved into a new house and needs a lawn mower, since he has always lived in apartments and now he has a lawn to mow. What type of goal would this be for Paulo?

A) Consumable-product goal
B) Durable-product goal
C) Intangible goal
D) Intermediate goal
E) Long-term goal

82) Stella Jones likes to go to the movies once a week. When she is at the movies, she generally gets a large popcorn and a drink. Stella wants to be sure that she sets aside money each week so she can continue going to the movies. What type of goal would this be for Stella?

A) Consumable-product goal
B) Durable-product goal
C) Intangible goal
D) Intermediate goal
E) Long-term goal

83) Anthony Vasquez is 42 years old, married, and has three children, ages 15, 13, and 8. This discussion is a demonstration of what factor in personal financial planning?

A) Adult life cycle
B) Economic factors
C) Global influences
D) Opportunity costs
E) None of these choices are correct.

84) One aspect of financial planning is to make wise decisions using a plan as to what to purchase and when to purchase it. Which component of financial planning does this deal with?

A) Borrowing
B) Spending
C) Managing risk
D) Investing
E) Retirement and estate planning

85) One aspect of financial planning is to use credit appropriately or wisely. Which component of financial planning does this deal with?

A) Borrowing
B) Spending
C) Managing risk
D) Investing
E) Retirement and estate planning

86) One aspect of financial planning is to make sure you maintain adequate insurance coverage for your needs. Which component of financial planning does this deal with?

A) Borrowing
B) Spending
C) Managing risk
D) Investing
E) Retirement and estate planning

87) One aspect of financial planning is to buy stocks, real estate, and mutual funds with the potential for long-term growth. Which component of financial planning does this deal with?

A) Borrowing
B) Spending
C) Managing risk
D) Investing
E) Retirement and estate planning

88) When prices are rising at a rate of 3 percent, the cost of products and services would double in ______________ years.

A) 3
B) 6
C) 18
D) 24
E) 72

89) What is the term used to present choices in a positive or negative manner that can result in an inappropriate risk assessment and poor investment choices?

A) Anchoring
B) Myopia
C) Herding
D) Specializing
E) Framing

90) The annual price increase for most goods and services measured by the Bureau of Labor Statistics is called _____________.

A) deflation
B) inflation
C) the consumer price index
D) the price calculator
E) the goods index

91) If you desire your savings to double in 6 years, what rate of return would you need to earn?

A) 6 percent
B) 8 percent
C) 9 percent
D) 10 percent
E) 12 percent

92) A family spends $40,000 on living expenses. With an annual inflation rate of 3 percent, they can expect to spend approximately _____________ in one year.

A) $40,300
B) $41,200
C) $42,000
D) $43,720
E) $46,000

93) The future value of $50 deposited each year for 6 years earning 7 percent would be *approximately* how much?
Note: Do not round intermediate calculations. Round your final answer to the nearest dollar amount.

A) $371
B) $50
C) $428
D) $300
E) $358

94) You are planning to buy a house in five years. Approximately how much do you need to deposit today to have a $10,000 down payment if your investment will make 6 percent?
Note: Do not round intermediate calculations. Round your final answer to the nearest dollar amount.

A) $6,000
B) $6,593
C) $7,473
D) $9,405
E) $10,000

95) Raymond is planning to go to graduate school in a program that will take three years. Raymond wants to have $10,000 available each year for his school and living expenses. If he earns 6 percent on his investments, approximately how much must be deposited at the start of his studies for him to withdraw $10,000 a year for three years?
Note: Do not round intermediate calculations. Round your final answer to the nearest dollar amount.

A) $10,000
B) $18,390
C) $26,730
D) $29,100
E) $30,000

96) Margaret Wells' new job is very demanding. She regularly works long hours and on the weekends. As a result, Margaret has not had much time for her family and friends. This is an example of:

A) deflation.
B) financial opportunity cost.
C) personal opportunity cost.
D) time value of money.
E) inflation.

97) During ______________, even though prices decline, spending slows because consumers expect prices to continue to decline.

A) deflation
B) depreciation
C) appreciation
D) economic recovery
E) inflation

98) Which of the following is a financial institution?

A) A college
B) A utility company
C) A credit union
D) A legal firm
E) A hospital

99) Developing financial goals is the ______________ step in the financial planning process.

A) first
B) second
C) third
D) fourth
E) fifth

100) The following are examples of intangible-purchase goals, except:
A) obtaining a college degree.
B) going on a cruise vacation.
C) buying a house.
D) losing weight.
E) getting more sleep.

101) Developing and using a budget is part of which component of financial planning?
A) Retirement and estate planning
B) Investing
C) Spending
D) Managing risk
E) Planning

102) Determining your current financial situation is a part of which step in the financial planning process?
A) First
B) Second
C) Third
D) Fourth
E) Fifth

103) What is the final step in the financial planning process?
A) Develop your goals.
B) Create the plan.
C) Evaluate alternatives.
D) Identify alternative courses of action.
E) Review and revise the plan.

104) Financial planning information sources generally do not include:
A) print media.
B) financial specialists.
C) financial institutions.
D) personal friends.
E) digital media.

105) Inflation risk may include changes in buying power and:

A) media alternatives.
B) education levels.
C) weather patterns.
D) personal health.
E) timing of purchases.

106) Collin has just used the majority of his savings to purchase a new piece of very expensive art. Collin thinks that he can just sell the art if he happens to experience an emergency and needs the money back quickly. However, this piece of art has very few potential buyers. Which type of risk that is associated with financial decisions should Collin be most concerned with?

A) Income risk
B) Personal risk
C) Liquidity risk
D) Inflation risk
E) Interest rate risk

107) Developing financial goals does not involve:

A) analyzing your financial values several times a year.
B) differentiating your needs from your wants.
C) allowing others to decide which goals you should pursue.
D) creating specific financial goals.
E) identifying why you feel a certain way about money.

108) Analyzing your current financial position is a part of which step of the financial planning process?

A) Step 1: Determine current financial situation
B) Step 2: Develop financial goals
C) Step 3: Identify alternative courses of action
D) Step 4: Evaluate alternatives
E) Step 5: Create and implement the action plan

109) The advantages of personal financial planning include:

A) decreased effectiveness in obtaining, using, and protecting your financial resources.
B) decreased control of your financial affairs by avoiding bankruptcy.
C) declining personal relationships resulting from poorly communicated financial decisions.
D) increased control of your financial affairs by avoiding excessive debt and bankruptcy.
E) increased control of your financial affairs by excessive debt.

110) If you decide to use your monthly savings budget to pay off credit card debts, then you are

A) pursuing an old course of action.
B) changing the current situation.
C) continuing with the same course of action.
D) taking a new course of action.
E) expanding the current situation.

111) When identifying alternative courses of action, possible courses of action include which of the following?

A) Continue with the same course of action
B) Expand the past situation
C) Change the past situation
D) Take an old course of action
E) Stop the past situation

112) If you are concerned about your year-end tax payments and need an action plan, which of the following is the best course of action?

A) decrease the amount withheld from each paycheck.
B) ignore the payments.
C) cash out your retirement.
D) work less.
E) file quarterly tax payments.

113) The appropriate path for your daily money decisions will:

A) take minimal time.
B) harm relationships.
C) result in higher stress.
D) result in personal financial insecurity.
E) require effort.

114) The earnings you receive as a saver or an investor reflect:

A) past interest rates.
B) a risk premium based on length of the savings period.
C) expected deflation.
D) the extent of certainty about getting your money back.
E) a positive credit rating.

115) In most societies, the forces of _____________ set prices for securities, goods, and services.

A) supply and demand
B) inflation
C) business
D) government
E) foreign competition

116) A security is a financial instrument and includes all of the following, except:

A) bonds.
B) stocks.
C) certificates of deposit.
D) mutual funds.
E) rare coins.

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

117) Describe the S-M-A-R-T approach to developing financial goals. Give an example.

118) What are the eight components of financial planning?

119) People are commonly overwhelmed by the many influences on personal financial decisions. What are the factors affecting personal financial planning?

120) What types of risks are commonly associated with personal financial decisions? How can these risks be evaluated and minimized to reduce personal and financial difficulties?

121) Shauna Schmidt is trying to decide whether to keep her money in a savings account or in a mutual fund. What would you tell her to help her analyze her decision?

122) What are the six steps in the financial planning process?

123) Explain why borrowers benefit more than lenders in times of high inflation.

124) What is meant by the term "time value of money?"

125) Describe the relationship between the annual inflation rate and prices using the rule of 72.

126) Many events affect your life situation and occur within the adult life cycle. List five events.

Answer Key

Test name: Chapter 01-02

1) TRUE
2) TRUE
3) FALSE
4) FALSE
5) TRUE
6) FALSE
7) FALSE
8) TRUE
9) FALSE
10) FALSE
11) FALSE
12) TRUE
13) TRUE
14) FALSE
15) FALSE
16) FALSE
17) TRUE
18) FALSE
19) FALSE
20) TRUE
21) D
22) E
23) C
24) D
25) C
26) D
27) C
28) E
29) A
30) E
31) A
32) D
33) D
34) E
35) C
36) A
37) E

38) E
39) B
40) D
41) B
42) D
43) A
44) B
45) C
46) D
47) B
48) D
49) E
50) C
51) C
52) B
53) D
54) D
55) E
56) C
57) D
58) B
59) D
60) C
61) A
62) C
63) D
64) B
65) A
66) E
67) E
68) D
69) A
70) D
71) A
72) B
73) C
74) D
75) D
76) E
77) A

78) B
79) C
80) E
81) B
82) A
83) A
84) B
85) A
86) C
87) D
88) D
89) E
90) C
91) E
92) B
93) E
94) C
95) C
96) C
97) A
98) C
99) B
100) C
101) E
102) A
103) E
104) D
105) E
106) C
107) C
108) A
109) D
110) D
111) A
112) E
113) E
114) B
115) A
116) E
117) Essay

118) Essay
119) Essay
120) Essay
121) Essay
122) Essay
123) Essay
124) Essay
125) Essay
126) Essay