

# PERSONAL FINANCIAL MANAGEMENT (165)

## REGIONAL – 2016

**Multiple Choice:**

30 @ 2 points each \_\_\_\_\_ (60 points)

**Short Answer:**

16 @ 5 points each \_\_\_\_\_ (80 points)

***TOTAL POINTS*** \_\_\_\_\_ (***140 points***)

**Failure to adhere to any of the following rules will result in disqualification:**

- 1. Contestant must hand in this test booklet and all printouts. Failure to do so will result in disqualification.**
- 2. No equipment, supplies, or materials other than those specified for this event are allowed in the testing area. No previous BPA tests and/or sample tests or facsimile (handwritten, photocopied, or keyed) are allowed in the testing area.**
- 3. Electronic devices will be monitored according to ACT standards.**

No more than ten (10) minutes orientation

No more than 60 minutes testing time

No more than ten (10) minutes wrap-up

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## GENERAL INSTRUCTIONS

The number of decimal places used in calculations and in the reporting of your answers is very important. Below are guidelines to use as you take this test. If a problem varies from these guidelines, it will be noted in the problem.

### PERCENTAGE PROBLEMS

- Round to the nearest tenth when working with percentages.

*Example:* Use 2.3% NOT 2%

*Example:* An answer of .9638 should be written as 96.4%

### INTEREST

- All interest rates are stated in one-year simple interest, *unless otherwise noted*.
- Interest is to be calculated on 360 days.

### DOLLAR AMOUNTS

- All dollar amounts must be rounded to the second place (nearest cent).

*Example:* \$35.9765 to \$35.98

**Multiple Choice: Identify the letter of the choice that best completes the statement or answers the question.**

1. The tax form sent to each employee in January showing the amount of wages earned and taxes withheld in the prior year is known as Form
  - a. 1040.
  - b. 1040EZ.
  - c. W-2.
  - d. W-4.
  
2. The primary advantage a mutual fund gives an investor over an individual stock is
  - a. diversification.
  - b. greater risk.
  - c. higher load percentage.
  - d. more control for the investor.
  
3.  $P \times R \times T$  is the calculation for
  - a. compound interest.
  - b. simple interest.
  - c. return on investment.
  - d. return on equity.
  
4. Which of the following lists of investments is ordered correctly from the least risk to the most risk?
  - a. Certificate of Deposit, Stock, Mutual Fund
  - b. Mutual fund, Stock, Certificate of Deposit
  - c. Certificate of Deposit, Mutual Fund, Stock
  - d. Mutual Fund, Certificate of Deposit, Stock
  
5. The type of auto insurance that pays for the cost of damage to a car you hit is
  - a. collision.
  - b. medical.
  - c. no-fault.
  - d. liability.
  
6. A mutual fund shows a NAV of \$32.65 and a minimum initial investment of \$5,000. To invest in this fund, how many shares must you buy?
  - a. 151
  - b. 152
  - c. 153
  - d. 154

7. Which type of bankruptcy forces the person filing to sell off their assets?
  - a. Chapter 7
  - b. Chapter 11
  - c. Chapter 12
  - d. Chapter 13
  
8. This type of stock includes voting rights.
  - a. treasury stock
  - b. common stock
  - c. buyback stock
  - d. preferred stock
  
9. Which of the following individuals would be eligible for a 403(b) retirement plan?
  - a. Financial Analyst
  - b. School Teacher
  - c. CPA
  - d. Medical Doctor
  
10. The United States uses a progressive income tax structure, meaning
  - a. the more money you make the higher percentage of taxes you will pay.
  - b. everyone will pay an equal percentage of tax.
  - c. the less money you make the higher percentage of taxes you will pay.
  - d. you don't have to pay taxes after you reach a certain level of income.
  
11. The two primary stock exchanges in the United States are
  - a. NASDAQ and SEC
  - b. SEC and NYSE
  - c. NYSE and Nikkei
  - d. NYSE and NASDAQ
  
12. Which of the following would hurt your credit score?
  - a. Paying your bills on time
  - b. Staying at your job for multiple years
  - c. Getting married
  - d. Applying for multiple credit cards
  
13. You buy 50 shares of a stock on October 1 @ \$72.30 per share. You sold those same shares on December 15 for \$83.13 per share. What was your percentage gained on the transaction, ignoring fees and commissions?
  - a. 10.8%
  - b. 13.0%
  - c. 15.0%
  - d. 21.7%

14. Paying a specified dollar amount on your health insurance for services such as a doctor's office visit is known as a
  - a. deductible.
  - b. premium.
  - c. policy.
  - d. co-pay.
  
15. When filing a federal tax return, what government agency do you file it with?
  - a. Internal Revenue Service
  - b. Federal Reserve
  - c. Securities and Exchange Commission
  - d. Income Tax Commission
  
16. The maturity value of a loan is equal to
  - a. Principal - Interest
  - b. Interest - Principal
  - c. Principal + Interest
  - d. Principal x Interest
  
17. Which of the following people would *not* have a need for life insurance?
  - a. Married couple that just bought a new home but has no children
  - b. Single person that rents an apartment and has one young child
  - c. Single person that owns a house but has no children
  - d. Married couple that rents a house and has two children
  
18. What is the name given to the index that uses 30 stocks to represent the thousands of stocks listed on the New York Stock Exchange?
  - a. The Dow Jones Industrial Average
  - b. The S&P 500
  - c. The Fortune 500
  - d. The NASDAQ Composite
  
19. Which of the following health care services is most likely *not* covered by health insurance?
  - a. Cosmetic surgery
  - b. Annual checkup
  - c. X-ray on an injured ankle
  - d. Prescription cholesterol medication
  
20. You use a broker to invest in the stock market, who charges a 2% commission on all trades. If you buy 75 shares of a stock trading @ \$43.39 through your broker, what will your total cost be?
  - a. \$3,254.25
  - b. \$3,256.25
  - c. \$3,297.64
  - d. \$3,319.34

21. Which of the “Cs” of credit refers to property offered by the borrower to secure a loan?
- Capital
  - Collateral
  - Character
  - Capacity
22. Your homeowner’s insurance policy includes a deductible of \$500. If your house receives wind damage from a recent storm estimated at \$2,100, how much will you have to pay out of pocket?
- \$ 0
  - \$ 500
  - \$1,600
  - \$2,100
23. Which of the following investments *most likely* contains the highest risk?
- Blue Chip Stock
  - Certificate of Deposit
  - Government Savings Bond
  - Stock of a startup company
24. You have owned 50 shares of Summit Corp. for the past three years and own those shares for all of 2016. Summit Corp. pays quarterly dividends of \$1.25 per share. How much will you receive in dividends for 2016?
- \$ 62.50
  - \$187.50
  - \$250.00
  - \$750.00
25. Personal tax returns must be filed with the federal government each year by
- January 31.
  - March 15.
  - March 31.
  - April 15.

26. Which of the following is *no* longer allowed with the passing of the Credit Card Act of 2009?
- Giving incentives such as money back on purchases using credit cards.
  - Allowing a person to have more than two credit cards in your name.
  - Having a credit limit on your credit card.
  - Credit card companies doing promotions on college campuses.
27. You can reduce the cost of your homeowner's insurance by
- installing dead bolt locks on your outside doors.
  - building your home using siding instead of bricks.
  - taking out your old security system because it no longer works.
  - leaving your car in the driveway at night.
28. An advantage of a Roth IRA is
- you can defer taxes until the money is withdrawn.
  - there is no restriction on when you can withdraw the money without penalty.
  - your money will increase at the same rate as the S&P 500.
  - your employer will match your investment amount.
29. Discretionary spending would be money you spend on
- shoes to replace a worn out pair.
  - tickets for a basketball game.
  - a gallon of milk.
  - your monthly electric bill.
30. Taxes withheld from an employee include all *except*
- unemployment tax.
  - income tax.
  - Social Security tax.
  - Medicare tax.

*Short Answer – Place each answer in the space provided.*

1. On October 2<sup>nd</sup> you bought 100 shares of stock in Brackets, Inc. @ \$24.72 per share. Your stock broker charges a 2% fee for each transaction.

How much money did your broker earn on the trade? \_\_\_\_\_

What was the total cost of the transaction for you? \_\_\_\_\_

2. You visit your doctor for an annual checkup that costs a total of \$175. Your health insurance policy includes the following:
- co-pay for doctor's visits, \$25
  - 80/20 coverage for wellness checks

What amount will you pay at the time of the doctor's visit? \_\_\_\_\_

How much will your insurance pay for your checkup? \_\_\_\_\_

3. You work a part-time job with an hourly wage of \$9.15. This week you work 19 hours. Assuming you had total taxes withheld of \$31.25 and elect direct deposit into your savings account of \$50 per week:

What are your total earnings for the week? \_\_\_\_\_

What is the amount of the payroll check you will receive? \_\_\_\_\_

4. Your monthly budget includes the following expenses:

Rent	-	\$500
Utilities	-	\$300
College Loan	-	\$75
Auto Loan	-	\$225
Gas	-	\$120
Food	-	\$325
Insurance	-	\$200

In addition to these expenses, you put \$100 per month into a savings account. Your monthly budget includes a goal of investing 25% of your discretionary income into a mutual fund, and 10% of your discretionary income into an IRA. Assuming your semimonthly net pay equals \$1,420:

What is your monthly mutual fund investment? \_\_\_\_\_

What is your monthly IRA investment? \_\_\_\_\_



5. At the beginning of 2016 you invest \$500 into a three-year Certificate of Deposit that pays 4% interest annually. At the beginning of 2017, you invest another \$1,500 into a five-year Certificate of Deposit that pays 5% interest annually. Compute the interest you will receive from the CD's in each of the following years.

2016 \_\_\_\_\_

2017 \_\_\_\_\_

6. On November 15, 2015, you buy 50 shares of Wicker Incorporated stock for \$34.62 per share. On January 27, 2016, you sell those same shares for \$38.15 per share. Answer the following questions regarding your stock investment, ignoring any broker's fees or commissions.

What was your total dollar gain on your investment? \_\_\_\_\_

What was the percent return on your investment? \_\_\_\_\_

7. You have an idea for a new business that you present to a loan officer at a local bank. On August 18, 2015, the bank agrees to loan you \$5,000 for a period of 120 days at an interest rate of 7%.

What is the maturity date of the loan? \_\_\_\_\_

What is the maturity value of the loan? \_\_\_\_\_

8. You are two years out of college working at a Fortune 500 company as an accountant. The data below is used to do your 2015 Federal Tax Return.

Total Wages for 2015 - \$52,560

Total Interest from various bank accounts - \$48

Total Interest from a Certificate of Deposit - \$71

Your 2015 exemption and deduction - \$10,150

What is your 2015 adjusted gross income? \_\_\_\_\_

What is your 2015 taxable income? \_\_\_\_\_