

PERSONAL FINANCIAL MANAGEMENT (165)

REGIONAL – 2018

Multiple Choice:

30 @ 2 points each _____ (60 points)

Short Answer:

17 @ 5 points each _____ (85 points)

TOTAL POINTS _____ (***145 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 sixty (60) minutes testing time

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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 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

2. _____ is property required by a lender and offered by a borrower as a guarantee of payment on a loan.
 - a. Interest
 - b. Collateral
 - c. A down payment
 - d. Principal

3. You may contribute into an IRA account up to the age of _____.
 - a. 70½
 - b. 65
 - c. 62
 - d. 59½

4. Principal x Rate x Time is the formula used for what calculation?
 - a. Simple Interest
 - b. Compound Interest
 - c. Payment Amount
 - d. Maturity Value

5. The idea of investing in different types of securities is known as _____.
 - a. risk
 - b. converting
 - c. diversifying
 - d. online trading

6. Which government agency processes income tax returns?
 - a. Securities and Exchange Commission
 - b. Federal Reserve
 - c. Occupational Safety and Health Administration
 - d. Internal Revenue Service

7. Ownership in a corporation is shown by _____.
 - a. bonds
 - b. stocks
 - c. income tax
 - d. pensions

8. The FDIC will protect your money deposited into a bank account up to _____.
 - a. \$100,000
 - b. \$150,000
 - c. \$200,000
 - d. \$250,000

9. You invest \$2,200 into a 6-month Certificate of Deposit, paying 2.5% simple interest. How much interest will you earn?
 - a. \$ 27.50
 - b. \$ 55.00
 - c. \$275.00
 - d. \$550.00

10. A _____ is a small, fixed amount required by a health insurer to be paid by the insured for each outpatient visit or prescription.
 - a. claim
 - b. deductible
 - c. co-pay
 - d. premium

11. The Rule of 72 says that an investment earning 4% annually will double in _____ years.
 - a. 3
 - b. 6
 - c. 12
 - d. 18

12. Which of the following is *not* a typical retirement account?
 - a. IRA
 - b. Roth IRA
 - c. 403 (b) fund
 - d. CD

13. The tax form completed upon employment claiming your number of allowances is known as Form _____.
 - a. W-2
 - b. W-4
 - c. 1040
 - d. 1040EZ

14. Renter's insurance will typically cover the cost of _____.
 - a. the contents of the apartment.
 - b. your apartment
 - c. your vehicle
 - d. your transportation

15. Which type of auto insurance will cover the cost of repairing your car if the accident is your fault?
 - a. Liability
 - b. Comprehensive
 - c. Collision
 - d. Medical

16. What type of auto insurance will cover the cost of repairing your car if you hit a deer?
 - a. Liability
 - b. Comprehensive
 - c. Collision
 - d. Medical

17. You purchase 75 shares of Driscoll Corp stock @ \$21.18 through a broker that charges a 2% commission. What is the total cost to you?
 - a. \$1,556.73
 - b. \$1,588.50
 - c. \$1,620.27
 - d. \$1,906.20

18. Which of the following individuals *cannot* be claimed by their parents on their tax return?
 - a. 18-year old high school graduate living on his own
 - b. 20-year old college student living at home
 - c. 18-year old high school student working part-time
 - d. 23-year old college grad school student living on campus

19. Federal Income Tax returns must be filed in most years by _____.
 - a. January 31
 - b. February 28
 - c. March 31
 - d. April 15

20. The maturity date on a 60-day note payable signed January 24 would be _____.
 - a. March 24
 - b. March 25
 - c. March 26
 - d. March 27

21. Which of the following would *most* likely be the riskiest investment?
 - a. Blue chip stock
 - b. Certificate of Deposit
 - c. Money Market Fund
 - d. Start-up tech company stock

22. Which of the following individuals would *not* be able to invest into a 401(k) retirement account through their place of employment?
- High School teacher
 - Accountant for a Big 4 firm
 - Computer Programmer for a Fortune 500 company
 - Full-time cashier at a grocery store
23. Your credit score would be negatively impacted by
- paying your credit card bill on time and in full.
 - accepting a full-time job out of college.
 - applying for two additional credit cards to be used as backup.
 - selling your car and retiring the debt on it.
24. Historically, which investment has averaged the *highest* returns for investors?
- Stocks
 - Money markets
 - CD's
 - T-bills
25. According to most experts when is the time a budget is no longer needed?
- When you begin your career after graduating college.
 - When your kids leave home.
 - When you retire.
 - A budget is recommended for your entire adult life.
26. Which index is known as the "Broad Market Index"?
- Russell 2,000
 - Dow Jones Industrial Average
 - S&P 500
 - NASDAQ Composite
27. In Chapter 7 bankruptcy cases, information on a personal credit report stays on file for _____.
- 5 years
 - 10 years
 - 15 years
 - your entire life
28. Which retirement account typically offers the advantage of employer match?
- Pension
 - 401(k)
 - IRA
 - Roth IRA

29. A deductible is the amount paid _____.
a. by the insured to obtain insurance coverage
b. by the insured before insurance kicks in on a claim
c. by the insured at the time of a doctor's visit
d. by the insurance company after the claim is made
30. Employees pay all of the following taxes *except* _____.
a. Social Security tax
b. Medicare tax
c. unemployment tax
d. income tax

Short Answer – Place each answer in the space provided.

1. Scott Simpson pays a monthly \$45 premium on his auto insurance, which includes coverage for liability and comprehensive with a \$500 deductible, but no collision. During a recent snowstorm, Scott's car slid into the back of another car which was stopped at a stop sign. The damage on Scott's car was estimated to be \$280 and the damage on the car he hit was estimated to be \$740.
- What is the annual premium Scott is paying for his insurance? _____
 - How much will Scott's insurance company pay to repair his car? _____
 - How much will Scott's insurance company pay for repairing the car he hit?

 - What will Scott have to pay out of pocket to repair both cars? _____
2. Kaylee Cook just received a promotion at her company, which includes a 7% increase on her annual salary of \$62,700. Kaylee's taxes will be 27% of her salary. She will have additional withholdings of 6% for a 401(k) plan, and 2% to be put into a stock purchase plan. Kaylee's goal is to save 2% of her salary each biweekly pay period.
- What will be Kaylee's new salary? _____
 - How much annually will Kaylee have withheld in taxes? _____
 - What amount will Kaylee invest each pay period into her 401(k)?

 - What amount will Kaylee put toward her stock purchase program each pay period? _____
 - After deductions for taxes, 401(k), and stock purchase plan, how much will Kaylee's take home pay be, assuming a biweekly pay period? _____
 - To reach her savings goal, what is the maximum Kaylee can spend each pay period? _____

3. On January 6, 2018, Connor Cross invests \$5,650 into a 180-day, 1.5% CD at his local bank. The CD pays interest upon maturity.
 - a. What is the amount of interest Connor will earn on the CD? _____
 - b. What is the maturity value of the CD? _____
 - c. What is the maturity date of the CD? _____

4. On January 16, 2018 Sophie Martinez researches the stock of Total Security Corporation. She advises her broker to purchase 50 shares of the stock for a price of \$68.16 per share. Six months later Total Security Corp has increased in price by 7.5%, so Sophie advises her broker to sell the 50 shares. The broker charges her a commission of 2% on all transactions.
 - a. What was the total cost to Sophie when purchasing the stock?

 - b. What price per share did Sophie sell the stock for? _____
 - c. How much money did Sophie receive on the sell? _____
 - d. Ignoring the broker's fees, what was the dollar gain for Sophie on her investment? _____