Personal Finance, 13e **(Kapoor)**
Chapter 1   Personal Finance Basics and the Time Value of Money

1) Increased demand for a product or service will usually result in lower prices for the item.

Answer: FALSE
Difficulty: 1 Easy
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

2) Inflation reduces the buying power of the dollar.

Answer: TRUE
Difficulty: 1 Easy
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

3) Lenders benefit more than borrowers in times of high inflation.

Answer: FALSE
Difficulty: 3 Hard
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

4) Economics is the study of using money to achieve financial goals.

Answer: FALSE
Difficulty: 2 Medium
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

5) Reduced spending causes unemployment from staff reduction.

Answer: TRUE
Difficulty: 2 Medium
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

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

Answer: FALSE
Difficulty: 2 Medium
Topic: Financial plan development
Learning Objective: 01-05 Identify strategies for achieving personal financial goals for different life situations.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

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

Answer: FALSE
Difficulty: 1 Easy
Topic: Components of Financial Planning
Learning Objective: 01-05 Identify strategies for achieving personal financial goals for different life situations.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

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

Answer: FALSE
Difficulty: 2 Medium
Topic: Financial Goals
Learning Objective: 01-03 Develop personal financial goals.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

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

Answer:　TRUE
Difficulty: 2 Medium
Topic:　Opportunity Costs
Learning Objective:　01-04 Calculate time value of money to analyze personal financial decisions.
Bloom's:　Remember
Accessibility:　Keyboard Navigation; Screen Reader Compatible
Gradable:　automatic

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

Answer:　TRUE
Difficulty: 2 Medium
Topic:　Opportunity Costs
Learning Objective:　01-04 Calculate time value of money to analyze personal financial decisions.
Bloom's:　Remember
Accessibility:　Keyboard Navigation; Screen Reader Compatible
Gradable:　automatic

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

Answer:　FALSE
Difficulty: 2 Medium
Topic:　Time value of money - interest rates and inflation
Learning Objective:　01-04 Calculate time value of money to analyze personal financial decisions.
Bloom's:　Remember
Accessibility:　Keyboard Navigation; Screen Reader Compatible
Gradable:　automatic

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

Answer:　FALSE
Difficulty: 3 Hard
Topic:　Time value of money - interest rates and inflation
Learning Objective:　01-04 Calculate time value of money to analyze personal financial decisions.
Bloom's:　Remember
Accessibility:　Keyboard Navigation; Screen Reader Compatible
Gradable:　automatic

13) Present value is often referred to as compounding.

Answer: FALSE
Difficulty: 2 Medium
Topic: Present Value
Learning Objective: 01-04 Calculate time value of money to analyze personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

14) Opportunity costs may be viewed only in terms of financial resources.

Answer: FALSE
Difficulty: 1 Easy
Topic: Opportunity Costs
Learning Objective: 01-04 Calculate time value of money to analyze personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

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

Answer: FALSE
Difficulty: 2 Medium
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

16) Trade balance is defined as the difference between a country's exports and its imports.

Answer: TRUE
Difficulty: 1 Easy
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

17) 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.

Answer: C
Difficulty: 1 Easy
Topic: Financial Planning Process
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

18) 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.

Answer: D
Difficulty: 2 Medium
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

19) Who is *most likely* to benefit from inflation?
A) Retired people
B) Lenders
C) Borrowers
D) Low-income consumers
E) Government

Answer: C
Difficulty: 2 Medium
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

20) 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.

Answer: D
Difficulty: 3 Hard
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

21) With an inflation rate of 8 percent, prices would double in about _____ years.
A) 4
B) 6
C) 9
D) 10
E) 12

Answer: C
Explanation: Rule of 72, 72/8 = 9
Difficulty: 2 Medium
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Apply
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

22) 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.

Answer: E
Difficulty: 2 Medium
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

23) 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.

Answer: A
Difficulty: 3 Hard
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

24) 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.

Answer: E
Difficulty: 3 Hard
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

25) Which of the following would increase the risk of a loan to the lender?
A) Inflation rate greater than loan rate
B) A short time to maturity
C) Consumer Price Index
D) Rule of 72
E) Inflation rate lower than loan rate

Answer: A
Difficulty: 2 Medium
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

26) 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.

Answer: D
Difficulty: 1 Easy
Topic: Life Cycle
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

27) The study of how wealth is created and distributed is:
A) financial planning.
B) opportunity cost.
C) inflation.
D) economics.
E) a market economy.

Answer: D
Difficulty: 1 Easy
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

28) 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.

Answer: E
Difficulty: 2 Medium
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

29) *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.

Answer: C
Difficulty: 2 Medium
Topic: Financial system
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

30) 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.

Answer: A
Difficulty: 2 Medium
Topic: Financial system
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

31) 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.

Answer: E
Difficulty: 2 Medium
Topic: Liquidity
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

32) 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

Answer: E
Difficulty: 3 Hard
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

33) Attempts to increase financial resources are part of the _____ component of financial planning.
A) planning
B) obtaining
C) saving
D) sharing
E) protecting

Answer: B
Difficulty: 1 Easy
Topic: Components of Financial Planning
Learning Objective: 01-05 Identify strategies for achieving personal financial goals for different life situations.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

34) 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.

Answer: D
Difficulty: 2 Medium
Topic: Components of Financial Planning
Learning Objective: 01-05 Identify strategies for achieving personal financial goals for different life situations.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

35) 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.

Answer: B
Difficulty: 1 Easy
Topic: Liquidity
Learning Objective: 01-05 Identify strategies for achieving personal financial goals for different life situations.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

36) 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

Answer: D
Difficulty: 1 Easy
Topic: Components of Financial Planning
Learning Objective: 01-05 Identify strategies for achieving personal financial goals for different life situations.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

37) A question associated with the saving component of financial planning is:
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?

Answer: A
Difficulty: 1 Easy
Topic: Components of Financial Planning
Learning Objective: 01-05 Identify strategies for achieving personal financial goals for different life situations.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

38) 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) statement.

Answer: B
Difficulty: 2 Medium
Topic: Financial plan development
Learning Objective: 01-05 Identify strategies for achieving personal financial goals for different life situations.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

39) When an individual makes a purchase without considering the financial consequences of that purchase, he/she ignores the _____ aspect of financial planning.
A) borrowing
B) risk management
C) spending
D) retirement and estate planning
E) obtaining

Answer: C
Difficulty: 1 Easy
Topic: Components of Financial Planning
Learning Objective: 01-05 Identify strategies for achieving personal financial goals for different life situations.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

40) 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.

Answer: D
Difficulty: 2 Medium
Topic: Components of Financial Planning
Learning Objective: 01-05 Identify strategies for achieving personal financial goals for different life situations.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

41) 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

Answer: B
Difficulty: 1 Easy
Topic: Financial Goals
Learning Objective: 01-03 Develop personal financial goals.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

42) _____ goals relate to personal relationships, health, and education.
A) Durable-product
B) Short-term
C) Consumable-product
D) Intangible-purchase
E) Intermediate

Answer: D
Difficulty: 2 Medium
Topic: Financial Goals
Learning Objective: 01-03 Develop personal financial goals.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

43) 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.

Answer: E
Difficulty: 2 Medium
Topic: Financial Goals - SMART approach
Learning Objective: 01-03 Develop personal financial goals.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

44) 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."

Answer: C
Difficulty: 2 Medium
Topic: Financial Goals - SMART approach
Learning Objective: 01-03 Develop personal financial goals.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

45) Opportunity cost refers to:
A) money needed for major consumer purchases.
B) what a person gives 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.

Answer: B
Difficulty: 2 Medium
Topic: Opportunity Costs
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

46) 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 comparing several brands of personal computers.
E) having to pay a tax penalty due to not having enough withheld from your monthly salary.

Answer: D
Difficulty: 2 Medium
Topic: Opportunity Costs
Learning Objective: 01-04 Calculate time value of money to analyze personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

47) 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.

Answer: D
Difficulty: 2 Medium
Topic: Time value of money - interest rates and inflation
Learning Objective: 01-04 Calculate time value of money to analyze personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

48) 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.

Answer: E
Difficulty: 2 Medium
Topic: Time value of money - interest rates and inflation
Learning Objective: 01-04 Calculate time value of money to analyze personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

49) 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

Answer: C
Difficulty: 3 Hard
Topic: Time value of money - Future Value
Learning Objective: 01-04 Calculate time value of money to analyze personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

50) 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

Answer: D
Difficulty: 2 Medium
Topic: Time value of money - Present Value
Learning Objective: 01-04 Calculate time value of money to analyze personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

51) 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

Answer: B
Explanation: Rule of 72: 72/4 = 18
Difficulty: 3 Hard
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Apply
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

52) 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

Answer: D
Explanation: Rule of 72: 72/12 = 6
Difficulty: 2 Medium
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Apply
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

53) Future value calculations involve:
A) discounting.
B) add-on interest.
C) compounding.
D) simple interest.
E) an annuity.

Answer: C
Difficulty: 2 Medium
Topic: Time value of money - Future Value
Learning Objective: 01-04 Calculate time value of money to analyze personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

54) 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

Answer: A
Difficulty: 2 Medium
Topic: Time value of money - Future Value
Learning Objective: 01-04 Calculate time value of money to analyze personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

55) 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.

Answer: C
Difficulty: 1 Easy
Topic: Financial Planning Process
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

56) _____ risk refers to the danger of changes in buying power during times of rising or falling prices.
A) Liquidity
B) Income
C) Personal
D) Inflation
E) Interest Rate

Answer: D
Difficulty: 2 Medium
Topic: Investment risks and measures
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

57) 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

Answer: B
Difficulty: 2 Medium
Topic: Opportunity Costs
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

58) The changing cost of money when borrowing is referred to as _____ risk.
A) interest rate
B) inflation
C) income
D) liquidity
E) personal

Answer: A
Difficulty: 2 Medium
Topic: Investment risks and measures
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

59) 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.

Answer: E
Difficulty: 1 Easy
Topic: Investment risks and measures
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

60) 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.

Answer: E
Difficulty: 1 Easy
Topic: Financial Planning Process
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

61) 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.

Answer: D
Difficulty: 3 Hard
Topic: Financial planning process
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

62) 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.

Answer: A
Difficulty: 1 Easy
Topic: Financial Planning Process
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

63) 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

Answer: D
Difficulty: 2 Medium
Topic: Financial Goals
Learning Objective: 01-03 Develop personal financial goals.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

64) Sophia Martin 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

Answer: A
Difficulty: 2 Medium
Topic: Financial Planning Process
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

65) Sophia Martin 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

Answer: B
Difficulty: 2 Medium
Topic: Financial Planning Process
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

66) Sophia Martin 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

Answer: C
Difficulty: 2 Medium
Topic: Financial Planning Process
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

67) Sophia Martin 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

Answer: D
Difficulty: 2 Medium
Topic: Financial Planning Process
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

68) Sophia Martin 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

Answer: D
Difficulty: 2 Medium
Topic: Financial Planning Process
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

69) Sophia Martin's goal has been to travel around the world. She has now 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

Answer: E
Difficulty: 2 Medium
Topic: Financial Planning Process
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

70) 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

Answer: A
Difficulty: 2 Medium
Topic: Investment risks and measures
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

71) 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

Answer: B
Difficulty: 2 Medium
Topic: Investment risks and measures
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

72) 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

Answer: C
Difficulty: 2 Medium
Topic: Investment risks and measures
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

73) Natalie Smith is considering investing in 30-year corporate bonds issued by Duke Energy Company. She knows that she will earn an interest rate of 6% 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 Natalie concerned about?
A) Inflation risk
B) Interest rate risk
C) Income risk
D) Personal risk
E) Liquidity risk

Answer: E
Difficulty: 2 Medium
Topic: Investment risks and measures
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

74) Benjamin Smith 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 Benjamin?
A) Consumable-product goal
B) Durable-product goal
C) Intangible goal
D) Intermediate goal
E) Long term goal

Answer: B
Difficulty: 1 Easy
Topic: Financial Goals
Learning Objective: 01-03 Develop personal financial goals.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

75) 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

Answer: A
Difficulty: 2 Medium
Topic: Financial Goals
Learning Objective: 01-03 Develop personal financial goals.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

76) Paul Carter 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

Answer: A
Difficulty: 2 Medium
Topic: Life Cycle
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

77) 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

Answer: B
Difficulty: 2 Medium
Topic: Components of Financial Planning
Learning Objective: 01-05 Identify strategies for achieving personal financial goals for different life situations.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

78) One aspect of financial planning is to use credit appropriately/wisely. Which component of financial planning does this deal with?
A) Borrowing
B) Spending
C) Managing risk
D) Investing
E) Retirement and estate planning

Answer: A
Difficulty: 2 Medium
Topic: Components of Financial Planning
Learning Objective: 01-05 Identify strategies for achieving personal financial goals for different life situations.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

79) 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

Answer: C
Difficulty: 2 Medium
Topic: Components of Financial Planning
Learning Objective: 01-05 Identify strategies for achieving personal financial goals for different life situations.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

80) 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

Answer: D
Difficulty: 2 Medium
Topic: Components of Financial Planning
Learning Objective: 01-05 Identify strategies for achieving personal financial goals for different life situations.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

81) 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

Answer: D
Explanation: Rule of 72, 72/3 = 24
Difficulty: 2 Medium
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Apply
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

82) Resources for financial planning can be found from:
A) print media.
B) digital media.
C) financial institutions.
D) financial specialists.
E) All of these.

Answer: E
Difficulty: 1 Easy
Topic: Financial Planning Process
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

83) 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

Answer: C
Difficulty: 1 Easy
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

84) 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

Answer: E
Explanation: Rule of 72, 72/x = 6, 6X = 72, 72/6 = 12
Difficulty: 3 Hard
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Apply
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

85) 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. Use Exhibit 1-A. **(Round time value factors to 3 decimal places and final answer to the nearest dollar amount.)**

Exhibit 1-A Future value (compounded sum) of $1 after a given number of time periods

Period	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%
1	1.010	1.020	1.030	1.040	1.050	1.060	1.070	1.080	1.090	1.100	1.110
2	1.020	1.040	1.061	1.082	1.103	1.124	1.145	1.166	1.188	1.210	1.232
3	1.030	1.061	1.093	1.125	1.158	1.191	1.225	1.260	1.295	1.331	1.368
4	1.041	1.082	1.126	1.170	1.216	1.262	1.311	1.360	1.412	1.464	1.518
5	1.051	1.104	1.159	1.217	1.276	1.338	1.403	1.469	1.539	1.611	1.685
6	1.062	1.126	1.194	1.265	1.340	1.419	1.501	1.587	1.677	1.772	1.870
7	1.072	1.149	1.230	1.316	1.407	1.504	1.606	1.714	1.828	1.949	2.076
8	1.083	1.172	1.267	1.369	1.477	1.594	1.718	1.851	1.993	2.144	2.305
9	1.094	1.195	1.305	1.423	1.551	1.689	1.838	1.999	2.172	2.358	2.558
10	1.105	1.219	1.344	1.480	1.629	1.791	1.967	2.159	2.367	2.594	2.839
11	1.116	1.243	1.384	1.539	1.710	1.898	2.105	2.332	2.580	2.853	3.152
12	1.127	1.268	1.426	1.601	1.796	2.012	2.252	2.518	2.813	3.138	3.498
13	1.138	1.294	1.469	1.665	1.886	2.133	2.410	2.720	3.066	3.452	3.883
14	1.149	1.319	1.513	1.732	1.980	2.261	2.579	2.937	3.342	3.797	4.310
15	1.161	1.346	1.558	1.801	2.079	2.397	2.759	3.172	3.642	4.177	4.785
16	1.173	1.373	1.605	1.873	2.183	2.540	2.952	3.426	3.970	4.595	5.311
17	1.184	1.400	1.653	1.948	2.292	2.693	3.159	3.700	4.328	5.054	5.895
18	1.196	1.428	1.702	2.026	2.407	2.854	3.380	3.996	4.717	5.560	6.544
19	1.208	1.457	1.754	2.107	2.527	3.026	3.617	4.316	5.142	6.116	7.263
20	1.220	1.486	1.806	2.191	2.653	3.207	3.870	4.661	5.604	6.727	8.062
25	1.282	1.641	2.094	2.666	3.386	4.292	5.427	6.848	8.623	10.835	13.585
30	1.348	1.811	2.427	3.243	4.322	5.743	7.612	10.063	13.268	17.449	22.892
40	1.489	2.208	3.262	4.801	7.040	10.286	14.974	21.725	31.409	45.259	65.001
50	1.645	2.692	4.384	7.107	11.467	18.420	29.457	46.902	74.358	117.391	184.565

Period	12%	13%	14%	15%	16%	17%	18%	19%	20%	25%	30%
1	1.120	1.130	1.140	1.150	1.160	1.170	1.180	1.190	1.200	1.250	1.300
2	1.254	1.277	1.300	1.323	1.346	1.369	1.392	1.416	1.440	1.563	1.690
3	1.405	1.443	1.482	1.521	1.561	1.602	1.643	1.685	1.728	1.953	2.197
4	1.574	1.630	1.689	1.749	1.811	1.874	1.939	2.005	2.074	2.441	2.856
5	1.762	1.842	1.925	2.011	2.100	2.192	2.288	2.386	2.488	3.052	3.713
6	1.974	2.082	2.195	2.313	2.436	2.565	2.700	2.840	2.986	3.815	4.827
7	2.211	2.353	2.502	2.660	2.826	3.001	3.185	3.379	3.583	4.768	6.275
8	2.476	2.658	2.853	3.059	3.278	3.511	3.759	4.021	4.300	5.960	8.157
9	2.773	3.004	3.252	3.518	3.803	4.108	4.435	4.785	5.160	7.451	10.604
10	3.106	3.395	3.707	4.046	4.411	4.807	5.234	5.695	6.192	9.313	13.786
11	3.479	3.836	4.226	4.652	5.117	5.624	6.176	6.777	7.430	11.642	17.922
12	3.896	4.335	4.818	5.350	5.936	6.580	7.288	8.064	8.916	14.552	23.298
13	4.363	4.898	5.492	6.153	6.886	7.699	8.599	9.596	10.699	18.190	30.288
14	4.887	5.535	6.261	7.076	7.988	9.007	10.147	11.420	12.839	22.737	39.374
15	5.474	6.254	7.138	8.137	9.266	10.539	11.974	13.590	15.407	28.422	51.186
16	6.130	7.067	8.137	9.358	10.748	12.330	14.129	16.172	18.488	35.527	66.542
17	6.866	7.986	9.276	10.761	12.468	14.426	16.672	19.244	22.186	44.409	86.504
18	7.690	9.024	10.575	12.375	14.463	16.879	19.673	22.901	26.623	55.511	112.455
19	8.613	10.197	12.056	14.232	16.777	19.748	23.214	27.252	31.948	69.389	146.192
20	9.646	11.523	13.743	16.367	19.461	23.106	27.393	32.429	38.338	86.736	190.050
25	17.000	21.231	26.462	32.919	40.874	50.658	62.669	77.388	95.396	264.698	705.641
30	29.960	39.116	50.950	66.212	85.850	111.065	143.371	184.675	237.376	807.794	2619.996
40	93.051	132.782	188.884	267.864	378.721	533.869	750.378	1051.668	1469.772	7523.164	36118.865
50	289.002	450.736	700.233	1083.657	1670.704	2566.215	3927.357	5988.914	9100.438	70064.923	497929.223

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

Answer: B
Explanation: Future value of a single amount [$40,000 + ($40,000 × 0.03 × 1 year)] = $41,200.
Difficulty: 2 Medium
Topic: Future Value
Learning Objective: 01-04 Calculate time value of money to analyze personal financial decisions.
Bloom's: Apply
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

86) The future value of $50 deposited each year for 6 years earning 7 percent would be *approximately:* Use Exhibit 1-B. **(Round time value factors to 3 decimal places and final answer to the nearest dollar amount.)**

Exhibit 1-B Future value (compounded sum) of $1 paid in at the end of each period for a given number of time periods (an annuity)

Period	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%
1	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2	2.010	2.020	2.030	2.040	2.050	2.060	2.070	2.080	2.090	2.100	2.110
3	3.030	3.060	3.091	3.122	3.153	3.184	3.215	3.246	3.278	3.310	3.342
4	4.060	4.122	4.184	4.246	4.310	4.375	4.440	4.506	4.573	4.641	4.710
5	5.101	5.204	5.309	5.416	5.526	5.637	5.751	5.867	5.985	6.105	6.228
6	6.152	6.308	6.468	6.633	6.802	6.975	7.153	7.336	7.523	7.716	7.913
7	7.214	7.434	7.662	7.898	8.142	8.394	8.654	8.923	9.200	9.487	9.783
8	8.286	8.583	8.892	9.214	9.549	9.897	10.260	10.637	11.028	11.436	11.859
9	9.369	9.755	10.159	10.583	11.027	11.491	11.978	12.488	13.021	13.579	14.164
10	10.462	10.950	11.464	12.006	12.578	13.181	13.816	14.487	15.193	15.937	16.722
11	11.567	12.169	12.808	13.486	14.207	14.972	15.784	16.645	17.560	18.531	19.561
12	12.683	13.412	14.192	15.026	15.917	16.870	17.888	18.977	20.141	21.384	22.713
13	13.809	14.680	15.618	16.627	17.713	18.882	20.141	21.495	22.953	24.523	26.212
14	14.947	15.974	17.086	18.292	19.599	21.015	22.550	24.215	26.019	27.975	30.095
15	16.097	17.293	18.599	20.024	21.579	23.276	25.129	27.152	29.361	31.772	34.405
16	17.258	18.639	20.157	21.825	23.657	25.673	27.888	30.324	33.003	35.950	39.190
17	18.430	20.012	21.762	23.698	25.840	28.213	30.840	33.750	36.974	40.545	44.501
18	19.615	21.412	23.414	25.645	28.132	30.906	33.999	37.450	41.301	45.599	50.396
19	20.811	22.841	25.117	27.671	30.539	33.760	37.379	41.446	46.018	51.159	56.939
20	22.019	24.297	26.870	29.778	33.066	36.786	40.995	45.762	51.160	57.275	64.203
25	28.243	32.030	36.459	41.646	47.727	54.865	63.249	73.106	84.701	98.347	114.413
30	34.785	40.568	47.575	56.085	66.439	79.058	94.461	113.283	136.308	164.494	199.021
40	48.886	60.402	75.401	95.026	120.800	154.762	199.635	259.057	337.882	442.593	581.826
50	64.463	84.579	112.797	152.667	209.348	290.336	406.529	573.770	815.084	1163.909	1668.771

Period	12%	13%	14%	15%	16%	17%	18%	19%	20%	25%	30%
1	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2	2.120	2.130	2.140	2.150	2.160	2.170	2.180	2.190	2.200	2.250	2.300
3	3.374	3.407	3.440	3.473	3.506	3.539	3.572	3.606	3.640	3.813	3.990
4	4.779	4.850	4.921	4.993	5.066	5.141	5.215	5.291	5.368	5.766	6.187
5	6.353	6.480	6.610	6.742	6.877	7.014	7.154	7.297	7.442	8.207	9.043
6	8.115	8.323	8.536	8.754	8.977	9.207	9.442	9.683	9.930	11.259	12.756
7	10.089	10.405	10.730	11.067	11.414	11.772	12.142	12.523	12.916	15.073	17.583
8	12.300	12.757	13.233	13.727	14.240	14.773	15.327	15.902	16.499	19.842	23.858
9	14.776	15.416	16.085	16.786	17.519	18.285	19.086	19.923	20.799	25.802	32.015
10	17.549	18.420	19.337	20.304	21.321	22.393	23.521	24.709	25.959	33.253	42.619
11	20.655	21.814	23.045	24.349	25.733	27.200	28.755	30.404	32.150	42.566	56.405
12	24.133	25.650	27.271	29.002	30.850	32.824	34.931	37.180	39.581	54.208	74.327
13	28.029	29.985	32.089	34.352	36.786	39.404	42.219	45.244	48.497	68.760	97.625
14	32.393	34.883	37.581	40.505	43.672	47.103	50.818	54.841	59.196	86.949	127.913
15	37.280	40.417	43.842	47.580	51.660	56.110	60.965	66.261	72.035	109.687	167.286
16	42.753	46.672	50.980	55.717	60.925	66.649	72.939	79.850	87.442	138.109	218.472
17	48.884	53.739	59.118	65.075	71.673	78.979	87.068	96.022	105.931	173.636	285.014
18	55.750	61.725	68.394	75.836	84.141	93.406	103.740	115.266	128.117	218.045	371.518
19	63.440	70.749	78.969	88.212	98.603	110.285	123.414	138.166	154.740	273.556	483.973
20	72.052	80.947	91.025	102.444	115.380	130.033	146.628	165.418	186.688	342.945	630.165
25	133.334	155.620	181.871	212.793	249.214	292.105	342.603	402.042	471.981	1054.791	2348.803
30	241.333	293.199	356.787	434.745	530.312	647.439	790.948	966.712	1181.882	3227.174	8729.985
40	767.091	1013.704	1342.025	1779.090	2360.757	3134.522	4163.213	5529.829	7343.858	30088.655	120392.883
50	2400.018	3459.507	4994.521	7217.716	10435.649	15089.502	21813.094	31515.340	45497.191	280255.693	1659760.743

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

Answer: C
Explanation: Future Value of a series of deposits (annuity): (Exhibit 1-B in Chapter 1 appendix), $50 × 7.153 = $357.65 = approximately $358.
Difficulty: 2 Medium
Topic: Future Value
Learning Objective: 01-04 Calculate time value of money to analyze personal financial decisions.; Chapter 1 Appendix: The Time Value of Money
Bloom's: Apply
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

87) 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%?

Exhibit 1-C Present value of $1 to be received at the end of a given number of time periods

Period	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909	0.901	0.893
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826	0.812	0.797
3	0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751	0.731	0.712
4	0.961	0.924	0.885	0.855	0.823	0.792	0.763	0.735	0.708	0.683	0.659	0.636
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621	0.593	0.567
6	0.942	0.888	0.837	0.790	0.746	0.705	0.666	0.630	0.596	0.564	0.535	0.507
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513	0.482	0.452
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467	0.434	0.404
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424	0.391	0.361
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386	0.352	0.322
11	0.896	0.804	0.722	0.650	0.585	0.527	0.475	0.429	0.388	0.350	0.317	0.287
12	0.887	0.788	0.701	0.625	0.557	0.497	0.444	0.397	0.356	0.319	0.286	0.257
13	0.879	0.773	0.681	0.601	0.530	0.469	0.415	0.368	0.326	0.290	0.258	0.229
14	0.870	0.758	0.661	0.577	0.505	0.442	0.388	0.340	0.299	0.263	0.232	0.205
15	0.861	0.743	0.642	0.555	0.481	0.417	0.362	0.315	0.275	0.239	0.209	0.183
16	0.853	0.728	0.623	0.534	0.458	0.394	0.339	0.292	0.252	0.218	0.188	0.163
17	0.844	0.714	0.605	0.513	0.436	0.371	0.317	0.270	0.231	0.198	0.170	0.146
18	0.836	0.700	0.587	0.494	0.416	0.350	0.296	0.250	0.212	0.180	0.153	0.130
19	0.828	0.686	0.570	0.475	0.396	0.331	0.277	0.232	0.194	0.164	0.138	0.116
20	0.820	0.673	0.554	0.456	0.377	0.312	0.258	0.215	0.178	0.149	0.124	0.104
25	0.780	0.610	0.478	0.375	0.295	0.233	0.184	0.146	0.116	0.092	0.074	0.059
30	0.742	0.552	0.412	0.308	0.231	0.174	0.131	0.099	0.075	0.057	0.044	0.033
40	0.672	0.453	0.307	0.208	0.142	0.097	0.067	0.046	0.032	0.022	0.015	0.011
50	0.608	0.372	0.228	0.141	0.087	0.054	0.034	0.021	0.013	0.009	0.005	0.003

Period	13%	14%	15%	16%	17%	18%	19%	20%	25%	30%	35%	40%	50%
1	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833	0.800	0.769	0.741	0.714	0.667
2	0.783	0.769	0.756	0.743	0.731	0.718	0.706	0.694	0.640	0.592	0.549	0.510	0.444
3	0.693	0.675	0.658	0.641	0.624	0.609	0.593	0.579	0.512	0.455	0.406	0.364	0.296
4	0.613	0.592	0.572	0.552	0.534	0.516	0.499	0.482	0.410	0.350	0.301	0.260	0.198
5	0.543	0.519	0.497	0.476	0.456	0.437	0.419	0.402	0.328	0.269	0.223	0.186	0.132
6	0.480	0.456	0.432	0.410	0.390	0.370	0.352	0.335	0.262	0.207	0.165	0.133	0.088
7	0.425	0.400	0.376	0.354	0.333	0.314	0.296	0.279	0.210	0.159	0.122	0.095	0.059
8	0.376	0.351	0.327	0.305	0.285	0.266	0.249	0.233	0.168	0.123	0.091	0.068	0.039
9	0.333	0.308	0.284	0.263	0.243	0.225	0.209	0.194	0.134	0.094	0.067	0.048	0.026
10	0.295	0.270	0.247	0.227	0.208	0.191	0.176	0.162	0.107	0.073	0.050	0.035	0.017
11	0.261	0.237	0.215	0.195	0.178	0.162	0.148	0.135	0.086	0.056	0.037	0.025	0.012
12	0.231	0.208	0.187	0.168	0.152	0.137	0.124	0.112	0.069	0.043	0.027	0.018	0.008
13	0.204	0.182	0.163	0.145	0.130	0.116	0.104	0.093	0.055	0.033	0.020	0.013	0.005
14	0.181	0.160	0.141	0.125	0.111	0.099	0.088	0.078	0.044	0.025	0.015	0.009	0.003
15	0.160	0.140	0.123	0.108	0.095	0.084	0.074	0.065	0.035	0.020	0.011	0.006	0.002
16	0.141	0.123	0.107	0.093	0.081	0.071	0.062	0.054	0.028	0.015	0.008	0.005	0.002
17	0.125	0.108	0.093	0.080	0.069	0.060	0.052	0.045	0.023	0.012	0.006	0.003	0.001
18	0.111	0.095	0.081	0.069	0.059	0.051	0.044	0.038	0.018	0.009	0.005	0.002	0.001
19	0.098	0.083	0.070	0.060	0.051	0.043	0.037	0.031	0.014	0.007	0.003	0.002	0
20	0.087	0.073	0.061	0.051	0.043	0.037	0.031	0.026	0.012	0.005	0.002	0.001	0
25	0.047	0.038	0.030	0.024	0.020	0.016	0.013	0.010	0.004	0.001	0.001	0	0
30	0.026	0.020	0.015	0.012	0.009	0.007	0.005	0.004	0.001	0	0	0	0
40	0.008	0.005	0.004	0.003	0.002	0.001	0.001	0.001	0	0	0	0	0
50	0.002	0.001	0.001	0.001	0	0	0	0	0	0	0	0	0

A) $6,000
B) $6,590
C) $7,470
D) $9,400
E) $10,000

Answer: C
Explanation: Present Value of a single amount (Exhibit 1-C in Chapter 1 appendix), $10,000 × 0.747 = $7,470.
Difficulty: 2 Medium
Topic: Present Value
Learning Objective: 01-04 Calculate time value of money to analyze personal financial decisions.; Chapter 1 Appendix: The Time Value of Money
Bloom's: Apply
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

88) Benjamin is planning to go to graduate school in a program that will take three years. Benjamin wants to have $10,000 available each year for his school and living expenses. If he earns 6% 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?

Exhibit 1-D Present value of $1 received at the end of each period for a given number of time periods (an annuity)

Period	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909	0.901	0.893
2	1.970	1.942	1.913	1.886	1.859	1.833	1.808	1.783	1.759	1.736	1.713	1.690
3	2.941	2.884	2.829	2.775	2.723	2.673	2.624	2.577	2.531	2.487	2.444	2.402
4	3.902	3.808	3.717	3.630	3.546	3.465	3.387	3.312	3.240	3.170	3.102	3.037
5	4.853	4.713	4.580	4.452	4.329	4.212	4.100	3.993	3.890	3.791	3.696	3.605
6	5.795	5.601	5.417	5.242	5.076	4.917	4.767	4.623	4.486	4.355	4.231	4.111
7	6.728	6.472	6.230	6.002	5.786	5.582	5.389	5.206	5.033	4.868	4.712	4.564
8	7.652	7.325	7.020	6.733	6.463	6.210	5.971	5.747	5.535	5.335	5.146	4.968
9	8.566	8.162	7.786	7.435	7.108	6.802	6.515	6.247	5.995	5.759	5.537	5.328
10	9.471	8.983	8.530	8.111	7.722	7.360	7.024	6.710	6.418	6.145	5.889	5.650
11	10.368	9.787	9.253	8.760	8.306	7.887	7.499	7.139	6.805	6.495	6.207	5.938
12	11.255	10.575	9.954	9.385	8.863	8.384	7.943	7.536	7.161	6.814	6.492	6.194
13	12.134	11.348	10.635	9.986	9.394	8.853	8.358	7.904	7.487	7.103	6.750	6.424
14	13.004	12.106	11.296	10.563	9.899	9.295	8.745	8.244	7.786	7.367	6.982	6.628
15	13.865	12.849	11.938	11.118	10.380	9.712	9.108	8.559	8.061	7.606	7.191	6.811
16	14.718	13.578	12.561	11.652	10.838	10.106	9.447	8.851	8.313	7.824	7.379	6.974
17	15.562	14.292	13.166	12.166	11.274	10.477	9.763	9.122	8.544	8.022	7.549	7.120
18	16.398	14.992	13.754	12.659	11.690	10.828	10.059	9.372	8.756	8.201	7.702	7.250
19	17.226	15.678	14.324	13.134	12.085	11.158	10.336	9.604	8.950	8.365	7.839	7.366
20	18.046	16.351	14.877	13.590	12.462	11.470	10.594	9.818	9.129	8.514	7.963	7.469
25	22.023	19.523	17.413	15.622	14.094	12.783	11.654	10.675	9.823	9.077	8.422	7.843
30	25.808	22.396	19.600	17.292	15.372	13.765	12.409	11.258	10.274	9.427	8.694	8.055
40	32.835	27.355	23.115	19.793	17.159	15.046	13.332	11.925	10.757	9.779	8.951	8.244
50	39.196	31.424	25.730	21.482	18.256	15.762	13.801	12.233	10.962	9.915	9.042	8.304

Period	13%	14%	15%	16%	17%	18%	19%	20%	25%	30%	35%	40%	50%
1	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833	0.800	0.769	0.741	0.714	0.667
2	1.668	1.647	1.626	1.605	1.585	1.566	1.547	1.528	1.440	1.361	1.289	1.224	1.111
3	2.361	2.322	2.283	2.246	2.210	2.174	2.140	2.106	1.952	1.816	1.696	1.589	1.407
4	2.974	2.914	2.855	2.798	2.743	2.690	2.639	2.589	2.362	2.166	1.997	1.849	1.605
5	3.517	3.433	3.352	3.274	3.199	3.127	3.058	2.991	2.689	2.436	2.220	2.035	1.737
6	3.998	3.889	3.784	3.685	3.589	3.498	3.410	3.326	2.951	2.643	2.385	2.168	1.824
7	4.423	4.288	4.160	4.039	3.922	3.812	3.706	3.605	3.161	2.802	2.508	2.263	1.883
8	4.799	4.639	4.487	4.344	4.207	4.078	3.954	3.837	3.329	2.925	2.598	2.331	1.922
9	5.132	4.946	4.772	4.607	4.451	4.303	4.163	4.031	3.463	3.019	2.665	2.379	1.948
10	5.426	5.216	5.019	4.833	4.659	4.494	4.339	4.192	3.571	3.092	2.715	2.414	1.965
11	5.687	5.453	5.234	5.029	4.836	4.656	4.486	4.327	3.656	3.147	2.752	2.438	1.977
12	5.918	5.660	5.421	5.197	4.988	4.793	4.611	4.439	3.725	3.190	2.779	2.456	1.985
13	6.122	5.842	5.583	5.342	5.118	4.910	4.715	4.533	3.780	3.223	2.799	2.469	1.990
14	6.302	6.002	5.724	5.468	5.229	5.008	4.802	4.611	3.824	3.249	2.814	2.478	1.993
15	6.462	6.142	5.847	5.575	5.324	5.092	4.876	4.675	3.859	3.268	2.825	2.484	1.995
16	6.604	6.265	5.954	5.668	5.405	5.162	4.938	4.730	3.887	3.283	2.834	2.489	1.997
17	6.729	6.373	6.047	5.749	5.475	5.222	4.990	4.775	3.910	3.295	2.840	2.492	1.998
18	6.840	6.467	6.128	5.818	5.534	5.273	5.033	4.812	3.928	3.304	2.844	2.494	1.999
19	6.938	6.550	6.198	5.877	5.584	5.316	5.070	4.843	3.942	3.311	2.848	2.496	1.999
20	7.025	6.623	6.259	5.929	5.628	5.353	5.101	4.870	3.954	3.316	2.850	2.497	1.999
25	7.330	6.873	6.464	6.097	5.766	5.467	5.195	4.948	3.985	3.329	2.856	2.499	2.000
30	7.496	7.003	6.566	6.177	5.829	5.517	5.235	4.979	3.995	3.332	2.857	2.500	2.000
40	7.634	7.105	6.642	6.233	5.871	5.548	5.258	4.997	3.999	3.333	2.857	2.500	2.000
50	7.675	7.133	6.661	6.246	5.880	5.554	5.262	4.999	4.000	3.333	2.857	2.500	2.000

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

Answer: C
Explanation: Present Value of a series of deposits (annuity): (Exhibit 1-D in Chapter 1 appendix), $10,000 × 2.673 = $26,730
Difficulty: 2 Medium
Topic: Present Value
Learning Objective: 01-04 Calculate time value of money to analyze personal financial decisions.; Chapter 1 Appendix: The Time Value of Money
Bloom's: Apply
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

89) Natalie Smith's new job is very demanding. She regularly works long hours and on the weekends. As a result, Natalie 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.

Answer: C
Difficulty: 2 Medium
Topic: Opportunity Costs
Learning Objective: 01-04 Calculate time value of money to analyze personal financial decisions.
Bloom's: Apply
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

90) 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

Answer: A
Difficulty: 2 Medium
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

91) Financial institutions include the following:
A) banks.
B) credit unions.
C) insurance companies.
D) investment companies.
E) All of these.

Answer: E
Difficulty: 1 Easy
Topic: Financial institutions
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

92) More recently, the annual price increase for most goods and services as measured by the consumer price index has been less than _____ percent.
A) 1
B) 2
C) 3
D) 4
E) 5

Answer: B
Difficulty: 2 Medium
Topic: Economic conditions and factors; Financial system
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

93) Increased home building results in:
A) increased job opportunities.
B) higher wages.
C) increased consumer spending.
D) overall economic expansion.
E) All of these.

Answer: E
Difficulty: 2 Medium
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

94) Developing financial goals is the _____ step in the financial planning process.
A) first
B) second
C) third
D) fourth
E) fifth

Answer: B
Difficulty: 2 Medium
Topic: Financial Planning Process; Financial Goals
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

95) 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.

Answer: C
Difficulty: 1 Easy
Topic: Financial Goals
Learning Objective: 01-03 Develop personal financial goals.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

96) 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

Answer: E
Difficulty: 2 Medium
Topic: Components of Financial Planning
Learning Objective: 01-05 Identify strategies for achieving personal financial goals for different life situations.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

97) 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

Answer: A
Difficulty: 2 Medium
Topic: Financial Planning Process
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

98) Evaluating risk associated with making most financial decisions is difficult because of what factor(s)?
A) Inflation risk
B) Interest rate risk
C) Personal risk
D) Liquidity risk
E) All of these.

Answer: E
Difficulty: 1 Easy
Topic: Financial Planning Process; Investment risks and measures
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

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

Answer: D
Difficulty: 2 Medium
Topic: Financial Planning Process
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

100) Inflation risk may include changes in buying power and:
A) rising prices.
B) falling prices.
C) decisions to buy later.
D) decisions to buy now.
E) All of these.

Answer: E
Difficulty: 2 Medium
Topic: Investment risks and measures
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

101) Types of risks associated with financial decisions may include:
A) Income risk
B) Personal risk
C) Liquidity risk
D) Inflation risk
E) All of these

Answer: E
Difficulty: 2 Medium
Topic: Investment risks and measures
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

102) 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) None of these

Answer: C
Difficulty: 2 Medium
Topic: Financial Planning Process; Financial Goals
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

103) 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

Answer: A
Difficulty: 1 Easy
Topic: Financial Planning Process
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

104) The advantages of personal financial planning include:
A) Increased effectiveness in obtaining, using and protecting your financial resources
B) Increased control of your financial affairs by avoiding excessive debt and bankruptcy
C) Improved personal relationships resulting from better communicated financial decisions
D) All of these
E) None of these

Answer: D
Difficulty: 2 Medium
Topic: Financial Planning Process
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

105) Personal financial activities involve the following main decision areas:
A) Spending
B) Saving
C) Sharing
D) All of these
E) None of these

Answer: D
Difficulty: 2 Medium
Topic: Financial Planning Process
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

106) When identifying alternative courses of action, possible courses of action include:
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) All of these

Answer: A
Difficulty: 2 Medium
Topic: Financial Planning Process
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

107) If you are concerned about year-end tax payments and need an action plan, you may take the following action(s):
A) increase the amount withheld from each paycheck
B) file quarterly tax payments
C) shelter current income in a tax-deferred retirement program
D) invest in tax-exempt securities
E) All of these

Answer: E
Difficulty: 2 Medium
Topic: Financial Planning Process; Financial situation analysis
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

108) The appropriate path for daily money decisions will:
A) take some time
B) take some effort
C) result in lower stress
D) result in personal financial security
E) all of these

Answer: E
Difficulty: 2 Medium
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

109) 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

Answer: B
Difficulty: 2 Medium
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

110) 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

Answer: A
Difficulty: 1 Easy
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

111) 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

Answer: E
Difficulty: 3 Hard
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

112) Robo-advisors, 3-D printing, robotics, wearable technology, and other innovations will influence your financial decisions in the following ways, except:
A) how you earn
B) how you spend
C) how you invest
D) how you travel
E) how you save

Answer: D
Difficulty: 2 Medium
Topic: Financial Planning Process
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: automatic

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

Answer: Financial Goals should be specific, measurable, action-oriented, realistic and time-based. Examples will vary.
Difficulty: 2 Medium
Topic: Financial Goals; SMART approach
Learning Objective: 01-03 Develop personal financial goals.
Bloom's: Apply
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: manual

114) What are the eight Components of Financial Planning?

Answer: The main Components of Financial Planning are obtaining, planning, saving, borrowing, spending, managing risk, investing, and retirement/estate planning.
Difficulty: 2 Medium
Topic: Components of Financial Planning
Learning Objective: 01-05 Identify strategies for achieving personal financial goals for different life situations.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: manual

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

Answer: Students answers will vary. Factors might include life situation and personal values. Life situation is affected by personal factors such as household size, age, income,, personal beliefs, and the adult life cycle. The adult life cycle is the stages in the family and financial needs of an adult. The financial system and daily economic activities also influence financial planning. The global economy, foreign investors, and competition are also important influences.
Difficulty: 2 Medium
Topic: Life Cycle; Personal values; Life events and their effects
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: manual

116) 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?

Answer: Common risks are inflation risk, interest rate risk, income risk, personal risk, and liquidity risk. Risks can be evaluated and minimized by gathering information based on your experience and the experience of others and using financial planning information sources.
Difficulty: 2 Medium
Topic: Investment risks and measures
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: manual

117) Natalie Smith 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?

Answer: Students answers will vary. Suggested responses might mention gathering information, comparing alternatives, analyzing risks, assessing personal goals, and contacting financial planning specialists.
Difficulty: 2 Medium
Topic: Financial Planning Process; Financial situation analysis
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: manual

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

Answer: The personal financial planning process involves: (1) determine your current financial situation, (2) develop financial goals, (3) identify alternative courses of action, (4) evaluate your alternatives, (5) create and implement a financial action plan, and (6) review and revise the financial plan.
Difficulty: 1 Easy
Topic: Financial Planning Process
Learning Objective: 01-01 Analyze the process for making personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: manual

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

Answer: Inflation can adversely affect lenders of money. Unless an adequate interest rate is charged, amounts repaid by borrowers in times of inflation have less buying power than the money they borrowed. If you pay 4 percent interest on a loan and the inflation rate is 6 percent, the dollars you pay the lender have lost buying power.
Difficulty: 3 Hard
Topic: Economic conditions and factors
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Understand
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: manual

120) What is meant by the term "Time Value of Money"?

Answer: Time value of money refers to the increase of an amount of money as a result of interest earned. You can calculate the increased value of your money in two ways: You can calculate the total amount that will be available later (future value) or you can determine the current value of an amount desired in the future (present value). Future value and present value can both be calculated by using a single sum or a series of deposits or payments (annuity).
Difficulty: 2 Medium
Topic: Time value of money - interest rates and inflation
Learning Objective: 01-04 Calculate time value of money to analyze personal financial decisions.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: manual

121) Describe the relationship between the annual inflation rate and prices using the Rule of 72.

Answer: The Rule of 72 helps determine how fast prices (or your savings) will double using the following formula: 72 / annual inflation rate = number of years it takes to double prices (or your savings).
Difficulty: 3 Hard
Topic: Economic conditions and factors; Time value of money - interest rates and inflation
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Apply
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: manual

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

Answer: Answers will vary.

Graduation (at all education levels)
Engagement and marriage
The birth or adoption of a child
A career change or a move to a new area
Dependent children leaving home
Changes in health
Divorce
Retirement
The death of a spouse, family member, or other dependent
Difficulty: 2 Medium
Topic: Life Cycle; Life events and their effects
Learning Objective: 01-02 Assess personal and economic factors that influence personal financial planning.
Bloom's: Remember
Accessibility: Keyboard Navigation; Screen Reader Compatible
Gradable: manual