c2

Student: ____

1. Liabilities are cash and items of value that can be easily converted to cash.

   True False

2. When one money management decision is selected, something else must be given up.

   True False

3. Opportunity costs are not only associated with money management decisions involving long-term financial security.

   True False

4. Financial records that may need to be referred to on a regular basis should not be kept in a safety deposit box.

   True False

5. A budget is a record of how a person or family has spent their money.

   True False

6. Personal records current budget, cheque book(s) and bank statements.

   True False

7. Most income tax documents and records should be kept in a safety deposit box.

   True False

8. Insolvency is the inability to pay debts by the due date, because liabilities exceed the value of assets.

   True False

9. A person's net worth is the difference between the value of the items owned and the amounts owed to others.

True False

10. Furniture, jewelry, and an automobile are examples of liquid assets.

True False

11. Current liabilities are amounts that must be paid within a short period of time, usually less than a year.

True False

12. Insolvency is a result of having an unequal balance of tangible and intangible goods.

True False

13. A personal cash flow statement presents income and outflows of cash for a given time period, such as a month.

True False

14. Take-home pay is a person's earnings after deductions for taxes and other items.

True False

15. Medical expenses, clothing, and telephone are examples of fixed expenses.

True False

16. If expenses for a month are greater than income, an increase in net worth will result.

True False

17. A person's lifestyle is a reflection of his or her values, goals, career, and family situation.

True False

18. A personal cash flow statement can serve as the basis for the budget categories used by an individual or family.

True False

19. Definite financial obligations are referred to as variable expenses.

True False

20. If budgeted spending is less than actual spending, this is referred to as a deficit.

True False

21. Most Canadians have an adequate savings for emergencies.

True False

22. Under a direct deposit system the bank will make an automatic debit from you bank account and have the funds transferred periodically to an investment account.

True False

23. "Sharing the bills" is a budgeting strategy for two-income households where each partner contributes an equal amount into the pool.

True False

24. Evidence exists that a person's choice of employment influences his or her lifestyle.

True False

25. Leveraged investing in common shares is expected to increase your net worth.

True False

26. Opportunity cost refers to:

A.
B.
C.
D.
E.

27. A home file should be used for:

A.
B.
C.
D.
E.

28. Which of the following financial documents would *most likely* be stored in a safety deposit box?

A.
B.
C.
D.
E.

29. An example of a personal and employment document is a:

A.
B.
C.
D.
E.

30. A brokerage statement is an example of a(n) ____________ record.

A.
B.
C.
D.
E.

31. Warranties are commonly associated with ____________ purchases.

A.
B.
C.
D.
E.

32. Which of the following are considered to be personal financial statements?

A.
B.
C.
D.
E.

33. A personal balance sheet presents

A.
B.
C.
D.
E.

34. The current financial position of an individual or family is *best* presented with the use of a(n)

A.
B.
C.
D.
E.

35. A family with $70,000 in assets and $22,000 of liabilities would have a net worth of:

A.
B.
C.
D.
E.

36. Items with a monetary worth are referred to as:

A.
B.
C.
D.
E.

37. Liquid assets refer to

A.
B.
C.
D.
E.

38. An individual retirement account is an example of a(n) _____________ asset.

A.
B.
C.
D.
E.

39. Liabilities are amounts representing

A.
B.
C.
D.
E.

40. Current liabilities differ from long-term liabilities based on

A.
B.
C.
D.
E.

41. Ben Chase needs to pay off some of his debts over the next few months. Which item on his balance sheet would help him decide what amounts are due in the near future?

A.
B.
C.
D.
E.

42. Which of the following would be considered a long-term liability?

A.
B.
C.
D.
E.

43. A person's net worth is computed by

A.
B.
C.
D.
E.

44. Which of the following situations is a person who could be insolvent?

A.
B.
C.
D.
E.

45. A person's net worth would increase as a result of

A.
B.
C.
D.
E.

46. A cash flow statement reports a person's or a family's

A.
B.
C.
D.
E.

47. Which of the following presents a summary of income and outflows for a period of time?

A.
B.
C.
D.
E.

48. Total earnings of a person less deductions for taxes and other items is called

A.
B.
C.
D.
E.

49. A common deduction from a person's paycheck is for

A.
B.
C.
D.
E.

50. This year Taylor's gross income is $70,000. Her deductions for federal and provincial taxes, CPP contributions and employment insurance are $13,500. She also had after-tax investment earnings of $6,000. Taylor's take-home pay is:

A.
B.
C.
D.
E.

51. Payments that do not vary from month to month are ____________ expenses.

A.
B.
C.
D.
E.

52. Ed Bostrom wants to reduce his fixed expenses. What action would be appropriate?

A.
B.
C.
D.
E.

53. Which of the following payments would be considered a variable expense?

A.
B.
C.
D.
E.

54. A decrease in net worth would be the result of:

A.
B.
C.
D.
E.

55. During the last month, Mary Jane had expenses of $5,000 and an increase in net worth of $700. This means Mary Jane's income for the month was:

A.
B.
C.
D.
E.

56. During the past month, Jennifer Sinnet had income of $3,500 and a decrease in net worth of $200. This means Jennifer's payments for the month were:

A.
B.
C.
D.
E.

57. Improvements in a person's financial position are the result of:

A.
B.
C.
D.
E.

58. To determine a person's solvency, which financial document should be consulted?

A.
B.
C.
D.
E.

59. A major expenditure for *most* families is

A.
B.
C.
D.
E.

60. The payment items that should be budgeted first are

A.
B.
C.
D.
E.

61. Changes in the cost of living are

A.
B.
C.
D.
E.

62. The difference between the amount budgeted and the actual amount is called a

A.
B.
C.
D.
E.

63. If a family planned to spend $370 for food during March but only spent $348, this difference would be referred to as a

A.
B.
C.
D.
E.

64. A budget deficit would result when a person's or family's

A.
B.
C.
D.
E.

65. The Crown family has a difficult time staying on a budget. In an effort to actually see what funds are available for various expenses, a ____________ budget would be most appropriate.

A.
B.
C.
D.
E.

66. When it comes to savings, *most* Canadians

A.
B.
C.
D.
E.

67. ____________ is the recommended budgeting strategy for dual income households where the two partners have trust and shared values and goals?

A.
B.
C.
D.
E.

68. Jennifer, a recent Concordia graduate, is struggling to pay off her $15,000 student loan. She has found employment with an international firm. Jennifer manages to balance her cash flows, but has only $500 in a chequing account to pay incoming bills. Her monthly after-tax cash inflows and expenses equal $2,000. What should be Jennifer's number one financial goal?

A.
B.
C.
D.
E.

69. Janice spends a total of $1,500 a month to cover all living expenses. Which of the following would represent the appropriate emergency fund?

A.
B.
C.
D.
E.

70. A five-year non-redeemable GIC is classified as a(n) _______________ asset on the personal balance sheet.

A.
B.
C.
D.
E.

71. Janice spends a total of $1,500 a month to cover all living expenses. Which of the following would represent the minimum acceptable emergency fund?

A.
B.
C.
D.
E.

72. Given the following, what is the individual's net worth?

Bank account	**$ 2,500**	**Student loan**
Monthly gross income	$ 3,200	RRSP
Annual car payments	$ 3,600	Unpaid vet bills
Jewellery	$ 5,000	Car loan
CSV (whole life)	$ 1,500	Car (resale value)
Annual medical expenses	$ 500	GICs

A.
B.
C.
D.
E.

73. What types of financial records and documents should be kept in a safety deposit box?

74. What are the main components of a personal balance sheet and a cash flow statement? What is the main purpose of each of these personal financial statements?

75. Describe the four budgeting strategies suggested for dual income households.

c2 Key

1. *(p. 54)*

Liabilities are cash and items of value that can be easily converted to cash.

FALSE

Difficulty: Easy
Kapoor - Chapter 02 #1

2. *(p. 50)*

When one money management decision is selected, something else must be given up.

TRUE

Difficulty: Easy
Kapoor - Chapter 02 #2

3. *(p. 50)*

Opportunity costs are not only associated with money management decisions involving long-term financial security.

TRUE

Difficulty: Medium
Kapoor - Chapter 02 #3

4. *(p. 51)*

Financial records that may need to be referred to on a regular basis should not be kept in a safety deposit box.

TRUE

Difficulty: Easy
Kapoor - Chapter 02 #4

5. *(p. 60)*

A budget is a record of how a person or family has spent their money.

FALSE

Difficulty: Medium
Kapoor - Chapter 02 #5

6. *(p. 52)*

Personal records current budget, cheque book(s) and bank statements.

FALSE

Difficulty: Easy
Kapoor - Chapter 02 #6

7. *(p. 52)*

Most income tax documents and records should be kept in a safety deposit box.

<u>FALSE</u>

Difficulty: Medium
Kapoor - Chapter 02 #7

8. *(p. 55)*

Insolvency is the inability to pay debts by the due date, because liabilities exceed the value of assets.

<u>TRUE</u>

Difficulty: Medium
Kapoor - Chapter 02 #8

9. *(p. 55)*

A person's net worth is the difference between the value of the items owned and the amounts owed to others.

<u>TRUE</u>

Difficulty: Medium
Kapoor - Chapter 02 #9

10. *(p. 53)*

Furniture, jewelry, and an automobile are examples of liquid assets.

<u>FALSE</u>

Difficulty: Medium
Kapoor - Chapter 02 #10

11. *(p. 54)*

Current liabilities are amounts that must be paid within a short period of time, usually less than a year.

<u>TRUE</u>

Difficulty: Easy
Kapoor - Chapter 02 #11

12. *(p. 55)*

Insolvency is a result of having an unequal balance of tangible and intangible goods.

<u>FALSE</u>

Difficulty: Medium
Kapoor - Chapter 02 #12

13. *(p. 55)*

A personal cash flow statement presents income and outflows of cash for a given time period, such as a month.

<u>TRUE</u>

Difficulty: Medium
Kapoor - Chapter 02 #13

14. *(p. 57)*

Take-home pay is a person's earnings after deductions for taxes and other items.

TRUE

Difficulty: Easy
Kapoor - Chapter 02 #14

15. *(p. 57)*

Medical expenses, clothing, and telephone are examples of fixed expenses.

FALSE

Difficulty: Easy
Kapoor - Chapter 02 #15

16. *(p. 57)*

If expenses for a month are greater than income, an increase in net worth will result.

FALSE

Difficulty: Medium
Kapoor - Chapter 02 #16

17. *(p. 60 and 61)*

A person's lifestyle is a reflection of his or her values, goals, career, and family situation.

TRUE

Difficulty: Easy
Kapoor - Chapter 02 #17

18. *(p. 55)*

A personal cash flow statement can serve as the basis for the budget categories used by an individual or family.

TRUE

Difficulty: Medium
Kapoor - Chapter 02 #18

19. *(p. 57)*

Definite financial obligations are referred to as variable expenses.

FALSE

Difficulty: Medium
Kapoor - Chapter 02 #19

20. *(p. 64)*

If budgeted spending is less than actual spending, this is referred to as a deficit.

TRUE

Difficulty: Medium
Kapoor - Chapter 02 #20

21.
(p. 67)

Most Canadians have an adequate savings for emergencies.

FALSE

Difficulty: Medium
Kapoor - Chapter 02 #21

22.
(p. 67)

Under a direct deposit system the bank will make an automatic debit from you bank account and have the funds transferred periodically to an investment account.

FALSE

Difficulty: Medium
Kapoor - Chapter 02 #22

23.
(p. 68)

"Sharing the bills" is a budgeting strategy for two-income households where each partner contributes an equal amount into the pool.

FALSE

Difficulty: Medium
Kapoor - Chapter 02 #23

24.
(p. 61)

Evidence exists that a person's choice of employment influences his or her lifestyle.

TRUE

Difficulty: Easy
Kapoor - Chapter 02 #24

25.
(p. 54)

Leveraged investing in common shares is expected to increase your net worth.

TRUE

Difficulty: Medium
Kapoor - Chapter 02 #25

26.
(p. 50)

Opportunity cost refers to:

A.
B.
C.
D.
E.

Difficulty: Easy
Kapoor - Chapter 02 #26

27.
(p. 51)

A home file should be used for:

A.
B.
C.
D.
E.

Difficulty: Easy
Kapoor - Chapter 02 #27

28.
(p. 52)

Which of the following financial documents would *most likely* be stored in a safety deposit box?

A.
B.
C.
D.
E.

Difficulty: Easy
Kapoor - Chapter 02 #28

29.
(p. 52)

An example of a personal and employment document is a:

A.
B.
C.
D.
E.

Difficulty: Easy
Kapoor - Chapter 02 #29

30.
(p. 52)

A brokerage statement is an example of a(n) ____________ record.

A.
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #30

31. *(p. 52)*

Warranties are commonly associated with ____________ purchases.

A.
B.
C.
D.
E.

Difficulty: Easy
Kapoor - Chapter 02 #31

32. *(p. 52)*

Which of the following are considered to be personal financial statements?

A.
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #32

33. *(p. 53)*

A personal balance sheet presents

A.
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #33

34. *(p. 53)*

The current financial position of an individual or family is *best* presented with the use of a(n)

A.
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #34

35.
(p. 55)

A family with $70,000 in assets and $22,000 of liabilities would have a net worth of:

A.
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #35

36.
(p. 53)

Items with a monetary worth are referred to as:

A.
B.
C.
D.
E.

Difficulty: Easy
Kapoor - Chapter 02 #36

37.
(p. 53)

Liquid assets refer to

A.
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #37

38.
(p. 54)

An individual retirement account is an example of a(n) ____________ asset.

A.
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #38

39. *(p. 54)*

Liabilities are amounts representing

A.
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #39

40. *(p. 54)*

Current liabilities differ from long-term liabilities based on

A.
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #40

41. *(p. 54)*

Ben Chase needs to pay off some of his debts over the next few months. Which item on his balance sheet would help him decide what amounts are due in the near future?

A.
B.
C.
D.
E.

Difficulty: Easy
Kapoor - Chapter 02 #41

42. *(p. 55)*

Which of the following would be considered a long-term liability?

A.
B.
C.
D.
E.

Difficulty: Easy
Kapoor - Chapter 02 #42

43. *(p. 55)*

A person's net worth is computed by

A.
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #43

44. *(p. 55)*

Which of the following situations is a person who could be insolvent?

A.
B.
C.
D.
E.

Difficulty: Hard
Kapoor - Chapter 02 #44

45. *(p. 55)*

A person's net worth would increase as a result of

A.
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #45

46. *(p. 55)*

A cash flow statement reports a person's or a family's

A.
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #46

47.
(p. 55)

Which of the following presents a summary of income and outflows for a period of time?

A.
B.
C.
D.
E.

Difficulty: Easy
Kapoor - Chapter 02 #47

48.
(p. 57)

Total earnings of a person less deductions for taxes and other items is called

A.
B.
C.
D.
E.

Difficulty: Easy
Kapoor - Chapter 02 #48

49.
(p. 57)

A common deduction from a person's paycheck is for

A.
B.
C.
D.
E.

Difficulty: Easy
Kapoor - Chapter 02 #49

50.
(p. 57)

This year Taylor's gross income is $70,000. Her deductions for federal and provincial taxes, CPP contributions and employment insurance are $13,500. She also had after-tax investment earnings of $6,000. Taylor's take-home pay is:

A.
B.
C.
D.
E.

Difficulty: Hard
Kapoor - Chapter 02 #50

51.
(p. 57)

Payments that do not vary from month to month are ____________ expenses.

A.
B.
C.
D.
E.

Difficulty: Easy
Kapoor - Chapter 02 #51

52.
(p. 57)

Ed Bostrom wants to reduce his fixed expenses. What action would be appropriate?

A.
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #52

53.
(p. 57)

Which of the following payments would be considered a variable expense?

A.
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #53

54.
(p. 55)

A decrease in net worth would be the result of:

A.
B.
C.
D.
E.

Difficulty: Hard
Kapoor - Chapter 02 #54

55.
(p. 55)

During the last month, Mary Jane had expenses of \$5,000 and an increase in net worth of \$700. This means Mary Jane's income for the month was:

A.
B.
C.
D.
E.

Difficulty: Hard
Kapoor - Chapter 02 #55

56.
(p. 55)

During the past month, Jennifer Sinnet had income of \$3,500 and a decrease in net worth of \$200. This means Jennifer's payments for the month were:

A.
B.
C.
D.
E.

Difficulty: Hard
Kapoor - Chapter 02 #56

57.
(p. 55)

Improvements in a person's financial position are the result of:

A.
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #57

58.
(p. 53)

To determine a person's solvency, which financial document should be consulted?

A.
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #58

59.
(p. 64)

A major expenditure for *most* families is

A.
B.
C.
D.
E.

Difficulty: Easy
Kapoor - Chapter 02 #59

60.
(p. 63)

The payment items that should be budgeted first are

A.
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #60

61.
(p. 63)

Changes in the cost of living are

A.
B.
C.
D.
E.

Difficulty: Hard
Kapoor - Chapter 02 #61

62.
(p. 63)

The difference between the amount budgeted and the actual amount is called a

A.
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #62

63. *(p. 64)*

If a family planned to spend $370 for food during March but only spent $348, this difference would be referred to as a

<u>A.</u>
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #63

64. *(p. 64)*

A budget deficit would result when a person's or family's

A.
<u>B.</u>
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #64

65. *(p. 60)*

The Crown family has a difficult time staying on a budget. In an effort to actually see what funds are available for various expenses, a ____________ budget would be most appropriate.

A.
B.
<u>C.</u>
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #65

66. *(p. 67)*

When it comes to savings, *most* Canadians

A.
B.
<u>C.</u>
D.
E.

Difficulty: Easy
Kapoor - Chapter 02 #66

67. *(p. 68)*

____________ is the recommended budgeting strategy for dual income households where the two partners have trust and shared values and goals?

A.
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #67

68. *(p. 61)*

Jennifer, a recent Concordia graduate, is struggling to pay off her $15,000 student loan. She has found employment with an international firm. Jennifer manages to balance her cash flows, but has only $500 in a chequing account to pay incoming bills. Her monthly after-tax cash inflows and expenses equal $2,000. What should be Jennifer's number one financial goal?

A.
B.
C.
D.
E.

Difficulty: Medium
Kapoor - Chapter 02 #68

69. *(p. 61)*

Janice spends a total of $1,500 a month to cover all living expenses. Which of the following would represent the appropriate emergency fund?

A.
B.
C.
D.
E.

Difficulty: Easy
Kapoor - Chapter 02 #69

70.
(p. 54)

A five-year non-redeemable GIC is classified as a(n) _______________ asset on the personal balance sheet.

A.
B.
C.
D.
E.

Difficulty: Easy
Kapoor - Chapter 02 #70

71.
(p. 61)

Janice spends a total of $1,500 a month to cover all living expenses. Which of the following would represent the minimum acceptable emergency fund?

A.
B.
C.
D.
E.

Difficulty: Easy
Kapoor - Chapter 02 #71

72.
(p. 55)

Given the following, what is the individual's net worth?

Bank account	**$ 2,500**	**Student loan**
Monthly gross income	$ 3,200	RRSP
Annual car payments	$ 3,600	Unpaid vet bills
Jewellery	$ 5,000	Car loan
CSV (whole life)	$ 1,500	Car (resale value)
Annual medical expenses	$ 500	GICs

A.
B.
C.
D.
E.

Difficulty: Hard
Kapoor - Chapter 02 #72

73.
(p. 52)

What types of financial records and documents should be kept in a safety deposit box?

Examples of items stored in a safe-deposit box include stock certificates, contracts, insurance policies, a record of personal belongings, mortgage papers, rare coins, collectibles, and other rare and valuable items.

Difficulty: Medium
Kapoor - Chapter 02 #73

74.
(p. 53-55)

What are the main components of a personal balance sheet and a cash flow statement? What is the main purpose of each of these personal financial statements?

A personal balance sheet is a net worth statement; it reports what you own (assets) and what you owe (liabilities). A cash flow statement is designed to report the actual inflow and outflow of cash during a given time period for a person; it includes current income, and cash flow payments.

Difficulty: Medium
Kapoor - Chapter 02 #74

75.
(p. 68)

Describe the four budgeting strategies suggested for dual income households.

Pooled Income: both incomes are combined, and bills are paid from the pool. This method requires trust and shared goals and values. Sharing the bills each person is responsible for paying predetermined bills. 50/50 each person contributes an equal amount into the pool to cover shared expenses. Proportionate Contributions: where each partner contributes a percentage of his/her income. This method is unfavorable when one partner earns a higher income than the other.

Difficulty: Hard
Kapoor - Chapter 02 #75

c2 Summary