

## Chapter 02 Money Management Strategy: Financial Statements and Budgeting

### True / False Questions

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

**TRUE**

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-01 Recognize relationships among financial documents and money management activities.*

*Topic: 02-01 Planning for Successful Money Management*

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

**TRUE**

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-01 Recognize relationships among financial documents and money management activities.*

*Topic: 02-01 Planning for Successful Money Management*

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

**TRUE**

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-02 Create a system for maintaining personal financial records.*

*Topic: 02-04 A System for Personal Financial Records*

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

**FALSE**

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-04 Create and implement a budget.*

*Topic: 02-09 Budgeting: A Money Management Skill*

5. Personal recordscurrent budget, cheque book(s) and bank statements.

**FALSE**

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-02 Create a system for maintaining personal financial records.*

*Topic: 02-04 A System for Personal Financial Records*

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

**FALSE**

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-02 Create a system for maintaining personal financial records.*

*Topic: 02-04 A System for Personal Financial Records*

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

**TRUE**

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

**TRUE**

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

**FALSE**

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

**TRUE**

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

11. Insolvency is a result of having an unequalbalance of tangible and intangible goods.

**FALSE**

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

**TRUE**

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

**TRUE**

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

**FALSE**

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

**FALSE**

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

**TRUE**

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-04 Create and implement a budget.*

*Topic: 02-09 Budgeting: A Money Management Skill*

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

**TRUE**

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

**FALSE**

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

**TRUE**

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-04 Create and implement a budget.*

*Topic: 02-09 Budgeting: A Money Management Skill*

20. Most Canadians have an adequate savings for emergencies.

**FALSE**

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-05 Calculate savings needed to achieve financial goals.*

*Topic: 02-12 Saving to Achieve Financial Goals*

21. Under a direct depositsystem the bank will make an automatic debit from your bank account and have the funds transferred periodically to an investment account.

**FALSE**

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-05 Calculate savings needed to achieve financial goals.*

*Topic: 02-12 Saving to Achieve Financial Goals*

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

**FALSE**

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-05 Calculate savings needed to achieve financial goals.*

*Topic: 02-12 Saving to Achieve Financial Goals*

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

**TRUE**

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-04 Create and implement a budget.*

*Topic: 02-09 Budgeting: A Money Management Skill*

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

**TRUE**

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

25. Opportunity costs are only associated with money management decisions involving long-term financial security.

**FALSE**

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-01 Recognize relationships among financial documents and money management activities.*

*Topic: 02-01 Planning for Successful Money Management*

26. A cash flow statement is a record of how a person or family has earned and spent their money.

**TRUE**

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

## **Multiple Choice Questions**

27. Saving and investing for the future reduces the amount you can spend now is an example of a(n):

- A. Opportunity cost
- B. Cash flow management
- C. Spending habits
- D. Savings plan

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-01 Recognize relationships among financial documents and money management activities.*

*Topic: 02-01 Planning for Successful Money Management*

28. Comparison shopping can save you money and improve the quality of your purchases but uses up something of value you cannot replace: your time is an example of a(n):

- A. Opportunity cost
- B. Cash flow management
- C. Spending habits
- D. Savings plan

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-01 Recognize relationships among financial documents and money management activities.*

*Topic: 02-01 Planning for Successful Money Management*

29. Buying on credit results in payments later and a reduction in the amount of future income available for spending is an example of a(n):

- A. Opportunity cost
- B. Cash flow management
- C. Spending habits
- D. Savings plan

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-01 Recognize relationships among financial documents and money management activities.*

*Topic: 02-01 Planning for Successful Money Management*

30. Spending money on current living expenses reduces the amount you can use for saving and investing for long-term financial security is an example of a(n):

- A. Opportunity cost
- B. Cash flow management
- C. Spending habits
- D. Savings plan

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-01 Recognize relationships among financial documents and money management activities.*

*Topic: 02-01 Planning for Successful Money Management*

31. The components of money management activities are:

- A. Sorting, Creating personal financial statements and implementing a budget
- B. Balancing incomes with expenses
- C. Saving for retirement
- D. Balancing current spending with the opportunity cost

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-01 Recognize relationships among financial documents and money management activities.*

*Topic: 02-01 Planning for Successful Money Management*

32. Money management refers to

- A. Day-to-day financial activities
- B. Long term financial activities
- C. Asset management
- D. Investment management

Money management is more related to short term cash flows, not just.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-01 Recognize relationships among financial documents and money management activities.*

*Topic: 02-01 Planning for Successful Money Management*

33. Opportunity cost refers to:

- A. current spending habits.
- B. changing economic conditions that affect a person's cost of living.
- C. storage facilities to make financial documents easily available.
- D. trade-offs associated with financial decisions.
- E. avoiding the use of consumer credit.

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-01 Recognize relationships among financial documents and money management activities.*

*Topic: 02-01 Planning for Successful Money Management*

34. An organized system of financial records provides a basis for:

- A. Handling daily business affairs, including paying bills on time
- B. Handling long term business affairs
- C. Handling moderate term business affairs
- D. Investment opportunities

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-02 Create a system for maintaining personal financial records.*

*Topic: 02-04 A System for Personal Financial Records*

35. An organized system of financial records provides a basis for:

- A. Planning and measuring financial progress.
- B. Handling long term business affairs
- C. Handling moderate term business affairs
- D. Analyzing opportunity costs

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-02 Create a system for maintaining personal financial records.*

*Topic: 02-04 A System for Personal Financial Records*

36. An organized system of financial records provides a basis for:

- A. Completing required tax reports.
- B. Handling long term business affairs
- C. Handling moderate term business affairs
- D. Cash flow projections

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-02 Create a system for maintaining personal financial records.*

*Topic: 02-04 A System for Personal Financial Records*

37. An organized system of financial records provides a basis for:

- A. Determining available resources for current and future buying.
- B. Handling long term business affairs
- C. Handling moderate term business affairs
- D. Cash flow projections

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-02 Create a system for maintaining personal financial records.*

*Topic: 02-04 A System for Personal Financial Records*

38. A home file should be used for:

- A. storing all financial documents and records.
- B. obsolete financial documents.
- C. documents that require maximum security.
- D. financial records for current needs.
- E. records that are difficult to replace.

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-02 Create a system for maintaining personal financial records.*

*Topic: 02-04 A System for Personal Financial Records*

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

- A. FT-4 slips
- B. Personal financial statements
- C. Warranties
- D.** Stock certificates
- E. Checking account statements

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-02 Create a system for maintaining personal financial records.*

*Topic: 02-04 A System for Personal Financial Records*

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

- A.** Social Insurance card.
- B. passbook.
- C. budget
- D. property tax bill.
- E. lease.

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-02 Create a system for maintaining personal financial records.*

*Topic: 02-04 A System for Personal Financial Records*

41. A brokerage statement is an example of a(n) \_\_\_\_\_ record.

- A.** investment
- B. insurance
- C. estate planning
- D. tax
- E. consumer purchase

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-02 Create a system for maintaining personal financial records.*

*Topic: 02-04 A System for Personal Financial Records*

42. Warranties are commonly associated with \_\_\_\_\_ purchases.

- A. investment
- B. insurance
- C. consumer**
- D. financial services
- E. credit

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-02 Create a system for maintaining personal financial records.*

*Topic: 02-04 A System for Personal Financial Records*

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

- A. Budget and credit card statements
- B. Balance sheet and cash flow statement**
- C. Checkbook and budget
- D. Tax returns
- E. Bank statement and savings passbook

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-02 Create a system for maintaining personal financial records.*

*Topic: 02-04 A System for Personal Financial Records*

44. A personal balance sheet presents

- A. items owned and amounts owed.**
- B. income and expenses for a period of time.
- C. earnings on savings and investments.
- D. amounts budgeted for spending
- E. family financial goals.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

45. The current financial position of an individual or family is *best* presented with the use of a(n)
- A. budget.
  - B. cash flow statement.
  - C. balance sheet.**
  - D. bank statement.
  - E. time value of money report.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

46. A family with \$90,000 in assets and \$52,000 of liabilities would have a net worth of:
- A. \$70,000.
  - B. \$22,000.
  - C. \$38,000**
  - D. \$92,000.
  - E. \$41,000.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

47. A family with \$170,000 in assets and \$152,000 of liabilities would have a net worth of:
- A. \$70,000.
  - B. \$22,000.
  - C. \$18,000**
  - D. \$92,000.
  - E. \$41,000.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

48. A family with \$110,000 in assets and \$49,000 of liabilities would have a net worth of:

- A. \$70,000.
- B. \$22,000.
- C. \$61,000
- D. \$92,000.
- E. \$41,000.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

- A. \$70,000.
- B. \$22,000.
- C. \$48,000
- D. \$92,000.
- E. \$41,000.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

- A. liabilities.
- B. variable expenses.
- C. net worth.
- D. income.
- E. assets.

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

51. Liquid assets refer to

- A. amounts that must be paid soon.
- B. amounts on which taxes must be paid
- C. total income available to a family for spending.
- D. the value of investments.
- E.** items that are easily converted to cash.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

52. An individual retirement account is an example of a(n) \_\_\_\_\_ asset.

- A. liquid
- B. common
- C.** investment
- D. household
- E. budgeted

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

53. Liabilities are amounts representing

- A. taxable income
- B. items of value.
- C. living expenses.
- D.** debts
- E. current assets.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

- A. the amount owed.
- B. the financial situation of the creditor.
- C. the interest rate charged.
- D.** when the debt is due.
- E. current economic conditions.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

55. Investments are funds set aside for:

- A. Short term needs
- B.** Long term needs
- C. Both short and long term needs
- D. Moderate term needs
- E. Emergencies

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

56. 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. the budget variance
- B. investment assets
- C. long-term liabilities
- D.** current liabilities
- E. current assets

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

- A. A charge account payment
- B. A mortgage**
- C. An installment loan
- D. An amount due for taxes
- E. The amount due on a credit card

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

58. A person's net worth is computed by

- A. subtracting total liabilities from total assets.**
- B. deducting current living expenses from total assets.
- C. adding assets and liabilities
- D. subtracting assets from current liabilities.
- E. adding liabilities and budgeted expenses.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

- A. Assets \$56,000; annual expenses \$60,000
- B. Assets \$68,000; net worth \$22,000
- C. Liabilities \$45,000; net worth \$6,000
- D. Assets \$60,000; liabilities \$61,000**
- E. Annual cash inflows \$48,000; liabilities \$50,000

*Accessibility: Keyboard Navigation*

*Difficulty: Hard*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

60. A person's net worth would decrease as a result of

- A. decreased value on investments
- B. increased earnings.
- C. decreased spending for current living expenses.
- D.** decreased value of personal possessions.
- E. decreased amount owed to others.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

- A. decreased value on investments
- B. reduced earnings.
- C. increased spending for current living expenses.
- D.** increased value of personal possessions.
- E. increased amount owed to others.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

- A. net worth.
- B.** current income and payments.
- C. plan for spending.
- D. value of investments.
- E. balance of savings.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

- A. A cash flow statement
- B. A bank statement
- C. An investment summary
- D. balance sheet
- E. An asset report

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

- A. budgeted income.
- B. gross pay.
- C. net worth.
- D. total revenue.
- E. take-home pay.

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

65. This year Taylor's gross income is \$80,000. Her deductions for federal and provincial taxes, CPP contributions and employment insurance are \$15,500. She also had after-tax investment earnings of \$8,000. Taylor's take-home pay is:

- A. \$70,000
- B. \$76,000
- C. \$77,500
- D. \$64,500
- E. \$62,000

*Accessibility: Keyboard Navigation*

*Difficulty: Hard*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

66. This year Taylor's gross income is \$120,000. Her deductions for federal and provincial taxes, CPP contributions and employment insurance are \$43,900. She also had after-tax investment earnings of \$12,000. Taylor's take-home pay is:

- A. \$70,000
- B. \$76,000
- C. \$77,500
- D.** \$76,100
- E. \$62,000

*Accessibility: Keyboard Navigation*

*Difficulty: Hard*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

- A. interest.
- B. unemployment
- C. rent.
- D.** taxes.
- E. current liabilities.

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

68. 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. \$70,000
- B. \$76,000
- C. \$77,500
- D.** \$56,500
- E. \$62,000

*Accessibility: Keyboard Navigation*

*Difficulty: Hard*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

69. Payments that do vary from month to month are \_\_\_\_\_ expenses.

- A. fixed
- B. current
- C. variable**
- D. luxury
- E. budgeted

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

70. Payments that do not vary from month to month are \_\_\_\_\_ expenses.

- A. fixed**
- B. current
- C. variable
- D. luxury
- E. budgeted

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

- A. Get a part-time job
- B. Eat more meals at home than in restaurants
- C. Find a place to live with a lower rent**
- D. Save more money for the future
- E. Buy on credit for items that might cost more later

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

- A. Rent
- B. An installment loan payment
- C. A mortgage payment
- D. A monthly parking fee
- E.** A telephone bill

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

- A. income greater than expenses for a month.
- B.** expenses greater than income for a month.
- C. assets greater than expenses.
- D. increased earnings on the job.
- E. income and expenses equal for a month.

*Accessibility: Keyboard Navigation*

*Difficulty: Hard*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

74. 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. \$700.
- B. \$4,300.
- C. \$5,000.
- D.** \$5,700.
- E. \$5,200.

*Accessibility: Keyboard Navigation*

*Difficulty: Hard*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

75. 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. \$3,700.
- B. \$3,300.
- C. \$2,800.
- D. \$1,000.
- E. \$200.

*Accessibility: Keyboard Navigation*

*Difficulty: Hard*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

- A. increased liabilities.
- B. reductions in earnings.
- C. increased savings and investments.
- D. increased purchases on credit.
- E. lower amounts deposited in savings.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

- A. Cash flow statement
- B. Budget
- C. Debt consolidation statement
- D. Personal balance sheet
- E. Credit report

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

78. A major expenditure for *most* families is

- A. insurance.
- B. contributions.
- C. clothing.
- D. utilities.
- E.** transportation.

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-04 Create and implement a budget.*

*Topic: 02-09 Budgeting: A Money Management Skill*

79. The payment items that should be budgeted first are

- A. variable expenses.
- B. investment funds.
- C.** fixed expenses.
- D. unplanned living expenses.
- E. entertainment expenses.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-04 Create and implement a budget.*

*Topic: 02-09 Budgeting: A Money Management Skill*

80. Changes in the cost of living are

- A.** different in various geographic areas.
- B. the same for different locations.
- C. constant from month to month.
- D. the same for all goods and services.
- E. not a factor when preparing a budget.

*Accessibility: Keyboard Navigation*

*Difficulty: Hard*

*Learning Objective: 02-04 Create and implement a budget.*

*Topic: 02-09 Budgeting: A Money Management Skill*

81. The difference between the amount budgeted and the actual amount is called a
- A. financial plan.
  - B. current liability.
  - C. change in net worth.
  - D.** budget variance.
  - E. variable living expense.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-04 Create and implement a budget.*

*Topic: 02-09 Budgeting: A Money Management Skill*

82. If a family planned to spend \$370 for food during March but only spent \$348, this difference would be referred to as a
- A.** surplus.
  - B. deficit.
  - C. fixed living expense.
  - D. budget reduction.
  - E. contribution to net worth.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-04 Create and implement a budget.*

*Topic: 02-09 Budgeting: A Money Management Skill*

83. A budget deficit would result when a person's or family's
- A. actual expenses are less than planned expenses.
  - B.** actual expenses are greater than planned expenses.
  - C. actual expenses equal planned expenses.
  - D. assets exceed liabilities.
  - E. net worth decreases.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-04 Create and implement a budget.*

*Topic: 02-09 Budgeting: A Money Management Skill*

84. 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. written
- B. computerized
- C. physical**
- D. deficit
- E. mental

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-04 Create and implement a budget.*

*Topic: 02-09 Budgeting: A Money Management Skill*

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

- A. have an adequate emergency fund.
- B. use several different savings techniques.
- C. find saving difficult.**
- D. keep substantial amounts in a regular savings account.
- E. reduce the amount they save during their working life.

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-05 Calculate savings needed to achieve financial goals.*

*Topic: 02-12 Saving to Achieve Financial Goals*

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

- A. Pooled income**
- B. 50/50
- C. Proportionate contributions
- D. Sharing the bills
- E. Sharing goals

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-05 Calculate savings needed to achieve financial goals.*

*Topic: 02-12 Saving to Achieve Financial Goals*

87. 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. Pay off her student loan immediately.
- B. Start an emergency fund.**
- C. Contribute to an RRSP.
- D. Purchase life insurance coverage.
- E. Accumulate funds for a down payment on a home

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-04 Create and implement a budget.*

*Topic: 02-09 Budgeting: A Money Management Skill*

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

- A. \$1,500 to \$4,500
- B. \$3,000 to \$7,500
- C. \$4,500 to \$9,000**
- D. \$5,000 to \$10,000
- E. \$6,000 to \$12,000

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-04 Create and implement a budget.*

*Topic: 02-09 Budgeting: A Money Management Skill*

89. Janice spends a total of \$2,500 a month to cover all living expenses. Which of the following would represent the maximum suggested acceptable emergency fund?

- A. Zero
- B. \$1,500
- C. \$7,500
- D. \$15,000**
- E. \$5,000

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-04 Create and implement a budget.*

*Topic: 02-09 Budgeting: A Money Management Skill*

90. Janice spends a total of \$3,300 a month to cover all living expenses. Which of the following would represent the maximum suggested acceptable emergency fund?

- A. Zero
- B. \$3,300
- C. \$9,9500
- D. \$19,800**
- E. \$6,600

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-04 Create and implement a budget.*

*Topic: 02-09 Budgeting: A Money Management Skill*

91. Janice spends a total of \$1,900 a month to cover all living expenses. Which of the following would represent the maximum suggested acceptable emergency fund?

- A. Zero
- B. \$1,900
- C. \$3,800
- D. \$11,400**
- E. \$5,700

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-04 Create and implement a budget.*

*Topic: 02-09 Budgeting: A Money Management Skill*

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

- A. liquid
- B.** investment
- C. personal
- D. business
- E. marketable

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

93. 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. Zero
- B. \$1,500
- C.** \$4,500
- D. \$9,000
- E. \$3,000

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-04 Create and implement a budget.*

*Topic: 02-09 Budgeting: A Money Management Skill*

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

Chapter 02 - Money Management Strategy: Financial Statements and Budgeting

|                         |         |                    |          |
|-------------------------|---------|--------------------|----------|
| Bank Account            | \$4,500 | Student loan       | \$9,500  |
| Monthly gross income    | \$3,200 | RRSP               | \$13,250 |
| Annual car payments     | \$3,600 | Unpaid vet bills   | \$600    |
| Jewellery               | \$5,000 | Car loan           | \$1,900  |
| CSV (whole life)        | \$1,500 | Car (resale value) | \$2,500  |
| Annual medical expenses | \$500   | GICs               | \$2,060  |

- A. \$16,810  
B. \$10,410  
C. \$10,910  
D. \$6,810  
E. \$6,500

*Accessibility: Keyboard Navigation*

*Difficulty: Hard*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

|                         |         |                    |          |
|-------------------------|---------|--------------------|----------|
| Bank Account            | \$2,500 | Student loan       | \$7,500  |
| Monthly gross income    | \$3,200 | RRSP               | \$10,250 |
| Annual car payments     | \$3,600 | Unpaid vet bills   | \$600    |
| Jewellery               | \$5,000 | Car loan           | \$4,900  |
| CSV (whole life)        | \$1,500 | Car (resale value) | \$2,500  |
| Annual medical expenses | \$500   | GICs               | \$2,060  |

- A. \$10,810
- B. \$11,410
- C. \$10,910
- D. \$6,810
- E. \$6,500

*Accessibility: Keyboard Navigation*

*Difficulty: Hard*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

Chapter 02 - Money Management Strategy: Financial Statements and Budgeting

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| Bank Account            | \$2,500 | Student loan       | \$9,500  |
| Monthly gross income    | \$3,200 | RRSP               | \$10,250 |
| Annual car payments     | \$3,600 | Unpaid vet bills   | \$600    |
| Jewellery               | \$5,000 | Car loan           | \$1,900  |
| CSV (whole life)        | \$1,500 | Car (resale value) | \$2,500  |
| Annual medical expenses | \$500   | GICs               | \$2,060  |

- A.** \$11,810
- B. \$11,410
- C. \$10,910
- D. \$6,810
- E. \$6,500

*Accessibility: Keyboard Navigation*

*Difficulty: Hard*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

97. To calculate your net worth, you need to know your:

- A. annual income
- B. assets and liabilities**
- C. monthly car loan cost
- D. income after tax
- E. pension contributions

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

98. The main purposes of personal financial statements are to:
- A. summarize the value of the items that you own and the amounts that you owe
  - B. track your cash inflows by source and your outflows by type
  - C. identify strengths and weaknesses in your current financial situation and provide data for use in filing your income tax return or applying for credit
  - D. measure progress toward your financial goals
  - E.** all of the above

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

99. Which of the following financial documents would *most likely* be stored in a safety deposit box?
- A. Tax records
  - B. Personal financial statements
  - C. Warranties
  - D.** Mortgage papers
  - E. Checking account statements

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-02 Create a system for maintaining personal financial records.*

*Topic: 02-04 A System for Personal Financial Records*

100. Which of the following financial documents would *most likely* be stored in a safety deposit box?
- A. Company pension information
  - B. Personal financial statements
  - C. Warranties
  - D.** Birth, marriage and death certificates
  - E. Checking account statements

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-02 Create a system for maintaining personal financial records.*

*Topic: 02-04 A System for Personal Financial Records*

101. Which of the following financial documents would *most likely* be stored in a home file?

- A. Serial numbers of expensive items
- B.** Personal financial statements
- C. Mortgage papers, title deed
- D. Birth, marriage and death certificates
- E. Guaranteed investment securities

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-02 Create a system for maintaining personal financial records.*

*Topic: 02-04 A System for Personal Financial Records*

102. A family with \$80,000 in assets and \$22,000 of liabilities would have a net worth of:

- A. \$80,000.
- B. \$22,000.
- C.** \$58,000
- D. \$102,000.
- E. \$36,000.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

103. A person with \$80,000 in assets and \$122,000 of liabilities would have a net worth of:

- A. \$80,000.
- B. \$122,000.
- C. \$202,000
- D. \$42,000.
- E.** - \$42,000.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

- A. A charge account payment
- B. A 36 month car loan**
- C. An installment loan
- D. An amount due for taxes
- E. The amount due on a credit card

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

- A. Assets \$50,000; annual expenses \$60,000
- B. Assets \$68,000; net worth \$22,000
- C. Liabilities \$45,000; net worth \$6,000
- D. Assets \$5,000; liabilities \$6,000**
- E. Annual cash inflows \$48,000; liabilities \$50,000

*Accessibility: Keyboard Navigation*

*Difficulty: Hard*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

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

- A. increased value on investments**
- B. reduced earnings.
- C. increased spending for current living expenses.
- D. decreased value of personal possessions.
- E. increased amounts owed to others.

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

107. This year Phil's gross income is \$80,000. His deductions for federal and provincial taxes, CPP contributions and employment insurance are \$16,000. He also had after-tax investment earnings of \$6,000. Taylor's take-home pay is:

- A. \$80,000
- B. \$86,000
- C. \$70,000
- D.** \$64,000
- E. \$58,000

*Accessibility: Keyboard Navigation*

*Difficulty: Hard*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

108. During the last month, Astrid had expenses of \$6,000 and an increase in net worth of \$100. This means Astrid's income for the month was:

- A. \$6,000
- B. \$5,900
- C.** \$6,100
- D. \$5,700
- E. \$5,200

*Accessibility: Keyboard Navigation*

*Difficulty: Hard*

*Learning Objective: 02-03 Develop a personal balance sheet and cash flow statement.*

*Topic: 02-05 Personal Financial Statements for Measuring Financial Sustainability*

109. The main purpose of a budget is to help you

- A. Live within your income and spend your money wisely
- B. Prioritize and attain your financial goals
- C. Prepare for financial emergencies
- D. Develop wise financial management habits
- E.** All of the above

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-04 Create and implement a budget.*

*Topic: 02-09 Budgeting: A Money Management Skill*

110. Anne spends a total of \$2,000 a month to cover all living expenses. Which of the following would represent the appropriate emergency fund?

- A. \$2,000 to \$4,000
- B. \$3,000 to \$7,000
- C. \$6,000 to \$12,000
- D. \$1,000 to \$2,000
- E. \$6,000

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-04 Create and implement a budget.*

*Topic: 02-09 Budgeting: A Money Management Skill*

111. Common reasons for saving money include:

- A. To set aside money for irregular and unexpected expenses
- B. To pay for the replacement of expensive items, such as appliances or an automobile, or to have money for a down payment on a house
- C. To buy special items, such as home video or recreational equipment, or to pay for a vacation
- D. To provide for long-term expenses, such as the education of children or retirement.
- E. All of the above

*Accessibility: Keyboard Navigation*

*Difficulty: Easy*

*Learning Objective: 02-05 Calculate savings needed to achieve financial goals.*

*Topic: 02-12 Saving to Achieve Financial Goals*

112. Low national savings rates have what effect on the economy?

- A. No effect
- B. Stimulate growth
- C. Slow growth
- D. Cause a balance of trade deficit
- E. Cause government deficit

*Accessibility: Keyboard Navigation*

*Difficulty: Medium*

*Learning Objective: 02-05 Calculate savings needed to achieve financial goals.*

*Topic: 02-12 Saving to Achieve Financial Goals*