Chapter 2—Using Financial Statements and Budgets

1. A personal balance sheet shows your financial condition as of the time the statement is prepared.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	PFIN.BILL.17.2-1 - LO: 2-1
NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS:	Bloom's: Remembering

2. A balance sheet is like a photograph of your financial condition, while an income and expense statement is like a motion picture.

a. True

b. False

ANSWER:	True
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	PFIN.BILL.17.2-1 - LO: 2-1
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KEYWORDS:	Bloom's: Remembering

3. The income and expense statement looks forward in time, while a budget is backward looking.

a. True

b. False

ANSWER:	False
POINTS:	1
DIFFICULTY:	Challenging
LEARNING OBJECTIVES:	PFIN.BILL.17.2-1 - LO: 2-1
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KEYWORDS:	Bloom's: Remembering

4. The income and expense statement provides a measure of financial performance over a period of time.

a. True

b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-1 - LO: 2-1
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KEYWORDS: Bloom's: Remembering

5. Personal financial statements help you identify potential financial problems.
a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-1 - LO: 2-1
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KEYWORDS: Bloom's: Understanding

6. Approximately 50 percent of Americans prepare a detailed household budget.
a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-1 - LO: 2-1
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KEYWORDS: Bloom's: Understanding

7. A budget is a detailed statement of what income and expenses occurred over a past period.
a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJE PFIN.BILL.17.2-1 - LO: 2-1

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KEYWORDS: Bloom's: Understanding

8. A budget is a detailed financial forecast.

a. True

b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Moderate

LEARNING OBJECTIVES: PFIN.BILL.17.2-1 - LO: 2-1

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KEYWORDS: Bloom's: Understanding

9. Investments are mostly intangible financial assets acquired to achieve long-term personal financial goals.

a. True

b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Moderate

LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2

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KEYWORDS: Bloom's: Remembering

10. The value of assets purchased on credit should be included on the asset side of your personal balance sheet.

a. True

b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Moderate

LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2

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KEYWORDS: Bloom's: Understanding

11. Jewelry, furniture, and computers are examples of personal property.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
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KEYWORDS: Bloom's: Remembering

12. A house and land are examples of real property.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
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KEYWORDS: Bloom's: Remembering

13. Most types of personal property depreciate shortly after being put into use.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
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KEYWORDS: Bloom's: Remembering

14. Investment assets include items such as boats or automobiles.

a. True

b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Moderate

LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2

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KEYWORDS: Bloom's: Understanding

15. A home and land should be recorded on the personal balance sheet at their original cost.

a. True

b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Challenging

LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2

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KEYWORDS: Bloom's: Understanding

16. All assets, regardless of category, should be recorded on your personal balance sheet at their current fair market value.

a. True

b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Challenging

LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2

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KEYWORDS: Bloom's: Remembering

17. Money I loaned to a friend is a liability on my balance sheet.

a. True

b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
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KEYWORDS: Bloom's: Applying

18. A charge made on your credit card becomes a liability as soon as the charge is incurred.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
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KEYWORDS: Bloom's: Applying

19. Your auto loan payments would be listed as an expense on the income and expense statement.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
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KEYWORDS: Bloom's: Applying

20. Only the current month's payment on your mortgage loans would be listed on the personal balance sheet as a liability.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
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KEYWORDS: Bloom's: Applying

21. Your net worth and your equity in owned assets are the same basic concept.

a. True

b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Easy

LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2

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KEYWORDS: Bloom's: Remembering

22. The balance sheet equation is assets plus liabilities equals net worth.

a. True

b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Easy

LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2

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KEYWORDS: Bloom's: Remembering

23. A budget is an orderly estimate of income and expenditures.

a. True

b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Easy

LEARNING OBJECTIVES: PFIN.BILL.17.2-5 - LO: 2-5

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KEYWORDS: Bloom's: Understanding

24. Mary and Tom purchased their home for $150,000, and it is now worth $175,000. Its asset value is $150,000.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
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KEYWORDS: Bloom's: Applying

25. The equity in your home is the difference between the loan balance and the purchase price.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
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KEYWORDS: Bloom's: Applying

26. The income and expense statement is a summary of actual income earned and expenses made over a specific point of time.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3
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KEYWORDS: Bloom's: Remembering

27. Interest you earned on your savings account would be an entry on your personal balance sheet.

a. True

b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
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KEYWORDS: Bloom's: Applying

28. If you obtain a loan to purchase a car in June, this loan amount would be included as income for June.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
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KEYWORDS: Bloom's: Applying

29. If you listed your gross salary in the income portion of the budget, the expenditures section must include income taxes and social security taxes.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3
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KEYWORDS: Bloom's: Analyzing

30. If you use net salary as income on your budget, the expenditures section must include income taxes and social security taxes.

a. True
b. False

ANSWER: False

POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3
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KEYWORDS: Bloom's: Analyzing

31. An income and expense statement deficit would increase net worth.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
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KEYWORDS: Bloom's: Remembering

32. When the income and expense statement indicates a cash surplus, this may be used to increase net worth by increasing assets or decreasing liabilities.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
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KEYWORDS: Bloom's: Analyzing

33. A cash deficit decreases net worth.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJE PFIN.BILL.17.2-3 - LO: 2-3

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KEYWORDS: Bloom's: Analyzing

34. The personal balance sheet and income and expense statement should be prepared at least annually.

a. True

b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Easy

LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4

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KEYWORDS: Bloom's: Understanding

35. The savings ratio is useful in the evaluation of the personal balance sheet.

a. True

b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Moderate

LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4

NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills

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KEYWORDS: Bloom's: Analyzing

36. Total liquid assets is the numerator in the savings ratio formula.

a. True

b. False

ANSWER: False

POINTS: 1

DIFFICULTY: Easy

LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4

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KEYWORDS: Bloom's: Analyzing

37. A family could have a positive savings ratio at the same time that its debt service ratio is increasing.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
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KEYWORDS: Bloom's: Analyzing

38. The liquidity ratio is an indicator of a family's ability to pay current debts if there is an interruption in income.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
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KEYWORDS: Bloom's: Understanding

39. The savings ratio indicates the percentage of after-tax income that is saved.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
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KEYWORDS: Bloom's: Remembering

40. The level of the debt service ratio would indicate your ability to meet loan payments out of current income.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
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KEYWORDS: Bloom's: Applying

41. You have a balanced budget when total income for the year equals or exceeds total expenditures for the year.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
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KEYWORDS: Bloom's: Remembering

42. You may be under-budgeting for food if you continually have monthly deficits in the food category.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
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KEYWORDS: Bloom's: Applying

43. The best way to balance your budget is to increase borrowing.

a. True
b. False

ANSWER: False
POINTS: 1

DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
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KEYWORDS: Bloom's: Creating

44. A solvency ratio shows how much "cushion" you have as a protection against insolvency.
a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
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KEYWORDS: Bloom's: Understanding

45. Budgeting and record keeping are really the same activity.
a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
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KEYWORDS: Bloom's: Understanding

46. The best place to keep a budget is in a safe deposit box.
a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
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KEYWORDS: Bloom's: Understanding

47. Total net worth is the numerator for the solvency ratio.

a. True

b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Easy

LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4

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United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows

KEYWORDS: Bloom's: Analyzing

48. When preparing a cash budget, estimating expenses using actual expenses from previous years and by tracking current expenses makes the task easier.

a. True

b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Easy

LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4

NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills

STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows

KEYWORDS: Bloom's: Remembering

49. A cash budget has value only if you use it, review it regularly, and keep careful records of income and expenses.

a. True

b. False

ANSWER: True

POINTS: 1

DIFFICULTY: Easy

LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4

NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills

STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows

KEYWORDS: Bloom's: Understanding

50. The savings ratio is calculated by dividing the cash surplus by before-tax income.

a. True

b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Understanding

51. Using the future value calculations to estimate the funds needed to meet a goal takes compounding into account.

a. True

b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-6 - LO: 2-6
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: TVM
KEYWORDS: Bloom's: Analyzing

52. Using time value of money is important when planning for long-term goals.

a. True

b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-6 - LO: 2-6
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: TVM
KEYWORDS: Bloom's: Analyzing

53. So long as you can earn interest on your investments, in a strict financial sense, you should always prefer to receive equal amounts of money sooner rather than later.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-6 - LO: 2-6
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: TVM
KEYWORDS: Bloom's: Understanding

54. Net income (after taxes) should be used when developing an income and expense statement.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Analyzing

55. In a budget, "fun money" is a budget category used for family members to spend as they like without having to account for how it is spent.

a. True
b. False

ANSWER: True
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Understanding

56. Net worth typically peaks between the ages of 65–74 and then diminishes throughout remaining retirement years.

a. True
b. False

ANSWER: True

POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-6 - LO: 2-6

NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

57. Only four categories of spending account for almost 90% of all consumer expenditures.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: PFIN.BILL.17.2-5 - LO: 2-5

NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

58. Net worth typically increases over the life cycle of an individual or family, peaking at about age 55.

a. True
b. False

ANSWER: False
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2

NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

59. The personal balance sheet describes a family's wealth

a. at a certain point in tine.
b. as an annual summary.
c. as a time period less than one year.
d. at a future time.
e. none of these

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJE PFIN.BILL.17.2-1 - LO: 2-1

CTIVES:
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
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United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

60. The three parts of your personal balance sheet are
    a. income, liabilities, balance.
    b. assets, expenditures, balance.
    c. assets, liabilities, balance.
    d. assets, liabilities, net worth.
    e. income, liabilities, net worth.

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

61. A(n) ____ would not be listed as an asset on your balance sheet.
    a. mortgaged home
    b. savings account
    c. owned automobile
    d. checking account
    e. leased automobile

ANSWER: e
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Understanding

62. When Phil lists his house on his personal balance sheet, he should record the
    a. actual purchase price.
    b. replacement value.
    c. insured value.

d. sale price.
e. fair market value.

ANSWER: e
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

63. Your ____ is an example of a liquid asset.
a. home
b. car
c. checking account
d. charge account
e. life insurance cash value

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

64. Kathy purchased new furniture for $10,000. She put $1,000 down and financed $9,000. She will pay $350 per month until the loan is paid off. Which of the following is true?
a. The furniture should be recorded as an asset of $10,000 on Kathy's personal balance sheet.
b. The $9,000 is entered as a liability on Kathy's personal balance sheet.
c. The furniture should be recorded as a $1,000 expenditure on Kathy's personal balance sheet.
d. The $350 payments are expenses on Kathy's income and expense statement.
e. All are correct except c.

ANSWER: e
POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows

DS:	United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS:	Bloom's: Creating

65. Sam and his wife Ann purchased a home in Lubbock, Texas, in 1980 for $100,000. Their original home mortgage was for $90,000. The house has a current market value of $175,000 and a replacement value of $200,000. They still owe $55,000 on their home mortgage. Sam and Sally are now constructing their balance sheet. How should their home be reflected on their current personal balance sheet?

a. $200,000 asset and $55,000 liability
b. $200,000 asset and $90,000 liability
c. $175,000 asset and $55,000 liability
d. $175,000 asset and $90,000 liability
e. $100,000 asset and $55,000 liability

ANSWER:	c
POINTS:	1
DIFFICULTY:	Challenging
LEARNING OBJECTIVES:	PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS:	Bloom's: Evaluating

66. ____ is an example of personal property.

a. Jewelry
b. Recreational equipment
c. Corporate bond
d. Charge account balance
e. Both a and b

ANSWER:	a
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS:	Bloom's: Applying

67. A budget is a

a. purchase plan.
b. line of credit.
c. financial statement.
d. detailed financial forecast.
e. set of personal financial objectives.

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

68. The main purpose of a budget is to

a. develop goals.
b. develop a financial plan.
c. give feedback to the plan.
d. monitor and control financial outcomes.
e. revise goals.

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Understanding

69. Budgets are

a. restrictive.
b. complicated.
c. forward looking.
d. permanent.
e. retrospective.

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

70. ____ would *not* be listed as a liability on your personal balance sheet.

a. Taxes owed
b. Loan balances
c. Bank credit card charges
d. Savings accounts
e. Rent due

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Applying

71. ____ would *not* be a long-term financial goal.

a. Purchasing a new car
b. Providing adequate life insurance
c. Reducing income taxes
d. Paying your phone bill
e. Planning for retirement

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Applying

72. Net worth is measured by

a. bank card balances.
b. house mortgage balances.
c. amount owed on an automobile loan.
d. assets minus liabilities.
e. insurance premium.

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills

DARDS:

STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows

KEYWORDS: Bloom's: Remembering

73. Personal balance sheet liabilities should be recorded at their

a. original outstanding balance.
b. year-end outstanding balance.
c. average outstanding balance.
d. current outstanding balance.
e. none of these.

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

74. On the personal balance sheet, a mortgage loan is recorded as the

a. interest only.
b. sum of interest paid and the outstanding balance.
c. sum of interest due and the outstanding balance.
d. principal portion only.
e. none of the above.

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

75. Another term sometimes used instead of net worth is

a. assets.
b. net debts.
c. long-term liabilities
d. equity.
e. liquid assets.

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

76. The personal balance sheet equation is
a. Total Assets / Total Liabilities = Net Worth.
b. Total Assets × Total Liabilities = Net Worth.
c. Total Assets − Total Liabilities = Net Worth.
d. Total Assets + Total Liabilities = Net Worth.
e. Total Liabilities − Total Assets = Net Worth.

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

77. Mandy and Jeff have a net worth of $25,000 and total assets of $140,000. If their revolving credit and unpaid bills total $2,200, what are their total liabilities?
a. $115,000
b. $140,000
c. $142,200
d. $165,000
e. $167,200

ANSWER: a
POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Evaluating

78. Sonny and Cher have a net worth of $35,000 and total assets of $200,000. If their revolving credit and unpaid bills total $2,200, what are their long-term liabilities?

a. $115,000
b. $140,000
c. $142,200
d. $162,800
e. $165,000

ANSWER:	d
POINTS:	1
DIFFICULTY:	Challenging
LEARNING OBJECTIVES:	PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS:	Bloom's: Evaluating

79. You are solvent if your

a. total liabilities exceed total assets.
b. total assets exceed total liabilities.
c. total assets exceed net worth.
d. total liabilities exceed net worth.
e. none of these.

ANSWER:	b
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS:	Bloom's: Understanding

80. The income and expense statement examines your financial

a. level.
b. performance.
c. position.
d. assets.
e. objectives.

ANSWER:	b
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	PFIN.BILL.17.2-3 - LO: 2-3

CTIVES:

NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS:	Bloom's: Understanding

81. The income and expense statement is specific to
    a. one point in time.
    b. a specific period of time.
    c. last year.
    d. next year.
    e. none of these.

ANSWER:	b
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	PFIN.BILL.17.2-3 - LO: 2-3
NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS:	Bloom's: Remembering

82. The income and expense statement includes
    a. income, liabilities, and net worth.
    b. income, expenses, and cash surplus or deficit.
    c. expenses, net worth, and cash surplus or deficit.
    d. net worth, cash surplus or deficit, and income or expenses.
    e. savings, cash surplus or deficit, and income or expenses.

ANSWER:	b
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	PFIN.BILL.17.2-3 - LO: 2-3
NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS:	Bloom's: Remembering

83. On an income and expense statement covering January 1 to June 30, ____ would not be included as income.
    a. wages and salaries received in that six months
    b. interest received on June 30
    c. auto sold with payment received May 15

d. inheritance granted in April, to be paid in September
e. income tax refund received April 14

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

84. The time period covered by an income and expense statement is usually
a. a week or a month.
b. a month or a quarter.
c. a month or a year.
d. one to two years.
e. one to five years.

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Understanding

85. You would not include ____ on an income and expense statement.
a. the value of your stock portfolio
b. taxes withheld
c. utilities paid
d. mortgage payments
e. charitable payments

ANSWER: a
POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows

KEYWORDS: Bloom's: Applying

86. You should not record ____ on an income and expense statement covering January 1 to June 30.

a. an $800 refrigerator bought on credit June 2 for which payment is not due until July
b. a paid March telephone bill
c. health insurance premiums deducted from monthly pay checks
d. checking account service charges
e. groceries bought and paid for in June

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

87. ____ would be an example of a fixed expense.

a. Food
b. Vacation
c. Utilities
d. Taxes
e. None of these

ANSWER: e
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Applying

88. _____ is an example of a variable expense.

a. Mortgage payment
b. Food
c. Car payment
d. Monthly insurance premium
e. Professional dues

ANSWER: b
POINTS: 1
DIFFICULTY: Easy

LEARNING OBJECTIVES: PFIN.BILL.17.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Applying

89. A cash budget should help you to
    a. achieve your short-term financial goals.
    b. implement disciplined spending.
    c. eliminate needless spending.
    d. allocate funds to savings and investments.
    e. do all of these.

ANSWER: e
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Understanding

90. All of the following are stages in preparing a cash budget *except*
    a. forecasting income.
    b. forecasting expenses.
    c. calculating the future value of the cash surplus.
    d. finalizing the cash budget.

ANSWER: c
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

91. When a cash surplus exists on your income and expense statement, you can use it to
    a. acquire assets.
    b. pay off existing debts.
    c. increase your savings.
    d. increase your investments.

e. do any of the above.

ANSWER: e
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Applying

92. Russ buys his wife a valuable painting for $20,000. He purchases it using $15,000 from his savings and a $5,000 loan. How does this transaction affect Russ's personal balance sheet?

a. His assets increase.
b. His liabilities increase.
c. His net worth stays the same.
d. a and b
e. a, b and c

ANSWER: c
POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Applying

93. If your income and expense statement shows a cash deficit, you may have

a. increased your debts.
b. increased your assets.
c. added to savings.
d. bought additional insurance.
e. paid off some of your debts.

ANSWER: a
POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows

KEYWORDS: Bloom's: Applying

94. If your ____, your net worth on the personal balance sheet would have increased from one period to the next.
   a. liabilities increased and assets remained constant
   b. liabilities increased and assets decreased
   c. assets increased and liabilities remained constant
   d. income increased
   e. none of these

ANSWER: c
POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Applying

95. The Wilson family's short-term goals might include
   a. setting up an emergency fund of three months' income
   b. buying a house
   c. sending the kids to college
   d. planning to retire at age 60
   e. all of these

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Applying

96. If your total liquid assets equal $50,000 and your total current debts equal $15,000, your liquidity ratio is
   a. 30%.
   b. 70%.
   c. 143%.
   d. 233%.
   e. 333%.

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate

LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Analyzing

97. If your total assets equal $87,000 and your total liabilities equal $10,000, your solvency ratio is

a.	11.5%.
b.	13.0%.
c.	77.0%.
d.	87.0%.
e.	88.5%.

ANSWER: e
POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Analyzing

98. Using personal balance sheet information, the ____ ratio indicates your ability to meet current debt payments.

a.	solvency
b.	liquidity
c.	cash
d.	savings
e.	debt service

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Understanding

99. Kim's net worth is $85,000 and her total assets are $100,000. What is Kim's solvency ratio?

a.	15%
b.	25%
c.	65%

d. 85%
e. 100%

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Analyzing

100. The savings ratio expresses
a. the percentage of gross income saved.
b. the ability to cover immediate debt when there is an interruption in income.
c. the relative amount of cash surplus achieved during a given period.
d. the percentage of tax-deferred income earned annually.
e. none of the above.

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

101. Your total cash income is $40,000. You pay $5,000 in taxes and $30,000 in other expenses. Your savings ratio is
a. 7.5%.
b. 10.0%.
c. 12.5%.
d. 13.3%.
e. 14.3%.

ANSWER: e
POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows

KEYWORDS: Bloom's: Evaluating

102. Your total cash income is $80,000. You pay $8,000 in taxes and $60,000 in other expenses. Your savings ratio is

a. 10.0%.
b. 14.3%.
c. 15.0%.
d. 16.7%.
e. 17.5%.

ANSWER: d
POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Evaluating

103. Mindy and Lou had total liquid assets of $10,000 and total current debts of $30,000. What is their liquidity ratio?

a. 25%
b. 33%
c. 67%
d. 150%
e. 300%

ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Evaluating

104. Jacque's total monthly loan payments are $1,020 while her gross income is $3,000 per month. What is her debt service ratio?

a. 34%
b. 43%
c. 50%
d. 75%
e. 82%

ANSWER: a
POINTS: 1

DIFFICULTY:	Challenging
LEARNING OBJECTIVES:	PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS:	Bloom's: Evaluating

105. In order to minimize the difficulty associated with meeting monthly loan payments, the debt service ratio should be

a. above 50%.
b. below 50%.
c. at 35%.
d. below 35%.
e. above 20%.

ANSWER:	d
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS:	Bloom's: Remembering

106. Mike and Teresa Garza have a monthly gross income of $5,000, but they pay $1,000 per month in taxes. They also pay $2,000 per month in various loan payments. What is their debt service ratio?

a. 20%
b. 30%
c. 40%
d. 50%
e. 60%

ANSWER:	c
POINTS:	1
DIFFICULTY:	Challenging
LEARNING OBJECTIVES:	PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS:	Bloom's: Evaluating

107. When estimating income for the income and expense statement, you should

a. use gross income.

b. include expected pay increases.
c. adjust for inflation.
d. use net income.
e. do none of these.

ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

108. The expenditure categories for your budget should be determined by
a. the BLS Urban Family Budget categories.
b. purchased budget book headings.
c. those used in previous years.
d. current and expected future spending.
e. itemized tax deductions.

ANSWER: d
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

109. The need for budget adjustments is indicated when
a. income is stable.
b. account deficits and surpluses balance out.
c. account deficits are more than surpluses.
d. a new calendar year begins.
e. short-term financial goals are achieved.

ANSWER: c
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills

STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows

KEYWORDS: Bloom's: Understanding

110. The best approach to solving the problem of an annual budget deficit is generally to

a. liquidate enough savings to make up the deficit.
b. sell stock to make up the deficit.
c. reduce flexible expenses.
d. reduce fixed expenses.
e. get a part-time job.

ANSWER: c

POINTS: 1

DIFFICULTY: Challenging

LEARNING OBJECTIVES: PFIN.BILL.17.2-5 - LO: 2-5

NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills

STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows

KEYWORDS: Bloom's: Evaluating

111. What can you do if your budget shows an annual budget deficit?

a. Liquidate enough savings and investments to meet the total budget shortfall for the year.
b. Borrow enough to meet the total budget shortfall for the year.
c. Cut low-priority expenses from the budget.
d. Increase income.
e. All of the above.

ANSWER: e

POINTS: 1

DIFFICULTY: Moderate

LEARNING OBJECTIVES: PFIN.BILL.17.2-5 - LO: 2-5

NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills

STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows

KEYWORDS: Bloom's: Evaluating

112. To determine how effectively the budget is working, you can compare it to

a. the personal balance sheet.
b. the income and expense statement.
c. the record of actual income and expenses.
d. the year-end financial statements.
e. your financial goals.

ANSWER: c

POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: PFIN.BILL.17.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Evaluating

113. Your investment advisor wants you to purchase an annuity that will pay you $25,000 per year for 10 years. If you require a 7% return, what is the most you should pay for this investment?

a.	$49,179
b.	$175,590
c.	$201,000
d.	$225,682
e.	$250,000

ANSWER: b
RATIONALE: PMT = 25,000
POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: PFIN.BILL.17.2-6 - LO: 2-6
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: TVM
KEYWORDS: Bloom's: Analyzing

114. Theresa invested $5,000 in an account she expects will earn 7% annually. Approximately how many years will it take for the account to double in value?

a.	8
b.	9
c.	10
d.	11
e.	12

ANSWER: c
RATIONALE: 72/7 = 10
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-6 - LO: 2-6
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: TVM

KEYWORDS: Bloom's: Analyzing

115. Jamil invested $9,500 in an account he expects will earn 5% annually. Approximately how many years will it take for the account to double in value?

a.	8.8
b.	9.7
c.	10.8
d.	11.4
e.	14.4

ANSWER: e
RATIONALE: 72/5 = 14.4
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-6 - LO: 2-6
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: TVM
KEYWORDS: Bloom's: Analyzing

116. Phil has $2,000 and he needs it to grow to $4,000 in 8 years. Assuming he adds no more money to this fund, what rate of return would he need to earn?

a.	6%
b.	7%
c.	8%
d.	9%
e.	10%

ANSWER: d
RATIONALE: 72/x = 8, 72 = 8x, 72/8 = x, 9% = x
POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: PFIN.BILL.17.2-6 - LO: 2-6
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: TVM
KEYWORDS: Bloom's: Analyzing

117. Michael and Sandy purchased a home for $100,000 five years ago. If it appreciated 6% annually, what is it worth today?

a.	$100,000
b.	$106,000
c.	$130,000
d.	$133,823

e. $135,603

ANSWER: d
RATIONALE: PV = 100,000, N = 5, i = 6, FV = 133,823
POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: PFIN.BILL.17.2-6 - LO: 2-6
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: TVM
KEYWORDS: Bloom's: Analyzing

118. Elena purchased a stamp collection for $5,000 thirty years ago. If it appreciated 8% annually, what is it worth today?

a. $17,000
b. $36,400
c. $50,313
d. $123,023
e. $150,000

ANSWER: c
RATIONALE: PV = 5,000, N = 30, i = 8, FV = 50,313
POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: PFIN.BILL.17.2-6 - LO: 2-6
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: TVM
KEYWORDS: Bloom's: Analyzing

119. Personal net worth is highest at about what age range?

a. 35–44
b. 45–54
c. 55–64
d. 65–74
e. 75 and older

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2

NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

120. Which of the following is *not* among the four categories accounting for almost three-quarters of consumer spending?

a. Utilities
b. Food
c. Transportation
d. Housing
e. Personal insurance and pensions

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-6 - LO: 2-6

NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

121. Which of the following are *not* among the four categories accounting for three-quarters of consumer spending?

a. Utilities
b. Clothing
c. Food
d. a and b
e. a, b, and c

ANSWER: d
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-6 - LO: 2-6

NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

122. Which of the following is among the four categories accounting for almost three-quarters of consumer spending?

a. Personal insurance and pensions
b. Clothing
c. Utilities
d. Entertainment
e. Medical

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3

NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

INSTRUCTIONS: Choose the word or phrase in [ ] which will correctly complete the statement. Select A for the first item, B for the second item, and C if neither item will correctly complete the statement.

123. A personal balance sheet provides a statement of your financial [*position* | *performance*].

ANSWER: a
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

124. The primary function of financial statements is to provide a picture of your [*actual* | *projected*] financial position.
ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-1 - LO: 2-1
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Understanding

125. A [*savings account* | *retirement account*] would be an example of a liquid asset.
ANSWER: a
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Applying

126. A [*house* | *certificate of deposit*] is an example of a tangible asset.
ANSWER: a
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Applying

127. Investment assets are required to [*earn a return* | *provide a service*].

ANSWER:	a
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS:	Bloom's: Remembering

128. A(n) [*auto loan balance* | *insurance premium*] would be an example of a current liability.

ANSWER:	b
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS:	Bloom's: Applying

129. Another term sometimes used for net worth is [*collateral* | *equity*].

ANSWER:	b
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS:	Bloom's: Remembering

130. A liability would be listed on a personal balance sheet as the [*amount originally borrowed* | *amount of the next loan payment to be made* | *none of these*].

ANSWER:	c
POINTS:	1
DIFFICULTY:	Challenging
LEARNING OBJECTIVES:	PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows

KEYWORDS: Bloom's: Remembering

131. When your liabilities exceed your assets, you are [*solvent* | *insolvent*].
ANSWER: b
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

132. When your assets exceed your liabilities, you are [*saving* | *solvent*].
ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Understanding

133. If your expenses exceed your income, the bottom line of your income/expense statement will show a [*surplus* | *deficit*].
ANSWER: b
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

134. The total amount of salary you earn before taxes are deducted is called your [*gross* | *net*] pay.
ANSWER: a
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills

STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

135. You bought a $500 stereo on the installment plan and made two payments of $75 during the year. On your income and expense statement for the year, you will show an expense of [*$150* | *$500*].
ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Applying

136. [*Medical expenses* | *Rent payments*] would be more difficult to estimate for the coming year.
ANSWER: a
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Applying

137. You originally paid $6,000 for your car, which has a current market value of $4,000, and the balance of the loan against it is now $2,500. You will list this car in the assets section of your personal balance sheet at [*$6,000* | *$4,000*].
ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Applying

138. Your car has a market value of $10,000 while the balance of the loan against it is now $2,500. You will list this car in the assets section of your personal balance sheet at [*$7,500* | *$10,000*].
ANSWER: b
POINTS: 1
DIFFICULTY: Moderate

LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Applying

139. A deficit on your income and expense statement will have [*an* | *no*] effect on your personal balance sheet.
ANSWER: a
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Understanding

140. If you pay off your debt but make no changes in your assets, your net worth will [*increase* | *decrease*].
ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Applying

141. Total assets on your personal balance sheet are $6,000 and liabilities are $2,000. Your solvency ratio is [*67%* | *33%*].
ANSWER: a
POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Analyzing

142. The liquidity ratio is designed to show the percentage of [*your current debt obligations* | *next month's credit obligations*] you could cover with your current assets.
ANSWER: a

POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Understanding

143. Your gross income was $32,000; your net income was $25,000; you saved $1,000. Your savings ratio was [*3%* | *4%*].
ANSWER: b
POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Analyzing

144. The purpose of the debt service ratio is to show the amount of your income needed to pay your [*current liabilities* | *monthly loan payments*].
ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-4 - LO: 2-4
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Understanding

145. Financial planning and budgeting [*do* | *do not*] mean the same thing.
ANSWER: b
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Creating

146. A detailed short-term financial forecast used to monitor and control expenses is called a [*budget* | *financial statement*].

ANSWER:	a
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	PFIN.BILL.17.2-1 - LO: 2-1
NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS:	Bloom's: Remembering

147. If your budget shows a deficit, one option is to increase [*income* | *expenses*] to regain balance.

ANSWER:	a
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	PFIN.BILL.17.2-5 - LO: 2-5
NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS:	Bloom's: Analyzing

148. Another word for take-home pay is [*gross* | *disposable*] income.

ANSWER:	b
POINTS:	1
DIFFICULTY:	Easy
LEARNING OBJECTIVES:	PFIN.BILL.17.2-3 - LO: 2-3
NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS:	Bloom's: Remembering

149. If you liquidate assets or borrow to make your budget balance, this will [*increase* | *decrease*] your net worth.

ANSWER:	b
POINTS:	1
DIFFICULTY:	Moderate
LEARNING OBJECTIVES:	PFIN.BILL.17.2-5 - LO: 2-5
NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows

KEYWORDS: Bloom's: Analyzing

150. The most difficult approach to handling a budget deficit is to [*increase income* | *liquidate investments*].
ANSWER: a
POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Analyzing

151. A budget will have value only if it is actually used and [*records are kept of actual income and expenses* | *spending never deviates from the budgeted amount*].
ANSWER: a
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Understanding

152. [*Borrowing money* | *Cutting low-priority expenses*] is the preferable way to deal with a budget deficit.
ANSWER: b
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-5 - LO: 2-5
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Applying

153. [*Present* | *Future*] value is the value today of an amount to be received in the future.
ANSWER: a
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-6 - LO: 2-6
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills

STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: TVM
KEYWORDS: Bloom's: Remembering

154. Net worth is typically highest for those in the age bracket of [*ages 65−74* | *ages 75 and older*].
ANSWER: a
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2

NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

155. Four categories, accounting for 75% of consumer spending, include [*utilities* | *clothing*].
ANSWER: c
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2

NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

156. Four categories, accounting for 75% of consumer spending, include [*clothing* | *housing*].
ANSWER: b
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3

NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Remembering

157. Four categories, accounting for 75% of consumer spending, include [*entertainment* | *food*].
ANSWER: b
POINTS: 1
DIFFICULTY: Easy
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3

NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows

KEYWORDS: Bloom's: Remembering

158. Jean and Jim have liquid assets of $3,600 and other assets of $42,800. Their total liabilities equal $26,000. What is their net worth? (Show all work.)

ANSWER:

Total Assets	$46,400
Less: Total Liabilities	26,000
Equal: Net Worth	$20,400

POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Analyzing

159. Rosa and Jose have liquid assets of $5,000 and other assets of $50,000. Their total liabilities equal $26,000. What is their net worth? (Show all work.)

ANSWER:

Total Assets	$55,000
Less: Total Liabilities	26,000
Equal: Net Worth	$29,000

POINTS: 1
DIFFICULTY: Challenging
LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Analyzing

160. The Hart family spends 30 percent of their disposable income on housing, 5 percent on medical expenses, 25 percent on food, 10 percent on clothing, 14 percent on loan repayments, and 8 percent on entertainment. How much of their disposable income is available for savings and investment? (Show all work.)

ANSWER: Percentage for savings = 100% − [30 + 5 + 25 + 10 + 14 + 8%]
= 100% − 92%
= 8%

POINTS: 1
DIFFICULTY: Moderate
LEARNING OBJECTIVES: PFIN.BILL.17.2-3 - LO: 2-3
NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS: Bloom's: Analyzing

161. Construct a personal balance sheet from the following information. Be sure the format is correct. (Show all work.)

Cash on hand	$ 75
Bank credit card balance	1,200
Utility bill (over due)	100
Auto loan balance	3,500
Mortgage	75,000
Primary residence	105,000
Jewelry	2,000
Stocks	17,500
Coin collection	2,500
2001 Toyota	7,500

ANSWER:

Assets:		Liabilities:	
Cash on hand	$ 75	Utilities	$ 100
Primary residence	105,000	Bank credit cards	1,200
2001 Toyota	7,500	Auto loan	3,500
Jewelry	2,000	Mortgage	75.000
Stocks	17,500	Total liabilities	$ 79,800
Coin collection	2.500	Net worth	54,775
Total assets	$134,575	Total liab. and net worth	$134,575

POINTS: 1

DIFFICULTY: Challenging

LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2

NATIONAL ST United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills

STANDARDS:	
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
KEYWORDS:	Bloom's: Analyzing

162. Construct a personal balance sheet from the following information. Be sure the format is correct. (Show all work.)

Cash on hand	$ 500
Bank credit card balance	750
Taxes due	500
Utility bills (over due)	120
Auto loan balance	6,000
Mortgage	45,000
Primary residence	60,000
Jewelry	1,200
Stocks	6,000
Coin collection	2,500
2001 Toyota	7,500
Auto payment	250

ANSWER:

Assets:		Liabilities:	
Cash on hand	$ 500	Utilities	$ 120
Primary residence	60,000	Taxes	500
2001 Toyota	7,500	Bank credit cards	750
Jewelry	1,200	Auto loan	6,000
Stocks	6,000	Mortgage	45,000
Coin collection	2,500	Total liabilities	$52,370
		Net worth	25,330
Total assets	$77,700	Total liab. and	$77,700

net worth

POINTS: 1

DIFFICULTY: Challenging

LEARNING OBJECTIVES: PFIN.BILL.17.2-2 - LO: 2-2

NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills

STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows

KEYWORDS: Bloom's: Analyzing

163. Inflation this coming year is expected to be 4 percent. If Mr. Gonza earned $37,000 this year, how much must he earn the following year just to keep up with inflation and maintain the balance between his income and his increasing expenditures? (Show all work.)

ANSWER: $37,000 + .04($37,000)
$37,000 + $1,480 = $38,480
OR
$37,000 × 1.04 = $38.480

POINTS: 1

DIFFICULTY: Moderate

LEARNING OBJECTIVES: PFIN.BILL.17.2-6 - LO: 2-6

NATIONAL STANDARDS: United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills

STATE STANDARDS: United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows
United States - KS - DISC: TVM

KEYWORDS: Bloom's: Analyzing

164. Inflation this coming year is expected to be 3 percent. If Mr. Gonza earned $45,000 this year, how much must he earn the following year just to keep up with inflation and maintain the balance between his income and his increasing expenditures? (Show all work.)

ANSWER: $45,000 + .03($45,000)
$45,000 + $1,350 = $46,350
OR
$45,000 × 1.03 = $46,350

POINTS: 1

DIFFICULTY: Moderate

LEARNING OBJECTIVES: PFIN.BILL.17.2-6 - LO: 2-6

NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: TVM
KEYWORDS:	Bloom's: Analyzing

165. Jamie wants to have $1,000,000 for her retirement in 25 years. How much should she save annually if she thinks she can earn 10% on her investments?

ANSWER:	FV = 1,000,000		
	N	=	25
	I	=	10
	PMT	=	10,168.07
POINTS:	1		
DIFFICULTY:	Challenging		
LEARNING OBJECTIVES:	PFIN.BILL.17.2-6 - LO: 2-6		
NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills		
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: TVM		
KEYWORDS:	Bloom's: Analyzing		

166. The Hamptons want to have $1,750,000 for their retirement in 30 years. How much should they save annually if they think they can earn 8% on their investments?

ANSWER:	FV = 1,750,000		
	N	=	30
	I	=	8
	PMT	=	15,448
POINTS:	1		
DIFFICULTY:	Challenging		
LEARNING OBJECTIVES:	PFIN.BILL.17.2-6 - LO: 2-6		
NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills		
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: TVM		
KEYWORDS:	Bloom's: Analyzing		

167. The Flemings will need $80,000 annually for 20 years during retirement. How much will they need at retirement if they can earn a 4% rate of return?

ANSWER:	PMT = 80,000		
	N	=	20
	I	=	4
	PV	=	1,087,226
POINTS:	1		
DIFFICULTY:	Challenging		
LEARNING OBJECTIVES:	PFIN.BILL.17.2-6 - LO: 2-6		

NATIONAL STANDARDS:	United States - BUSPROG: Analytic skills - BUSPROG: Analytical skills
STATE STANDARDS:	United States - AK - DISC: Financial Analysis and Cas - DISC: Financial Analysis and Cash Flows United States - KS - DISC: TVM
KEYWORDS:	Bloom's: Analyzing