Personal Finance (Canadian) 7th edition Kapoor Test Bank

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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 recordsthat 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

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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

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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

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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

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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

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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

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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

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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

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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 incomeswith expenses
C. Saving for retirement
D. Balancing currentspending 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 manage 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

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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

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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 requiremaximum security.
D. financial recordsfor 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

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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 accountstatements

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 exampleof 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

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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 amountsowed.
B. income and expenses for a period of time.
C. earnings on savingsand 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

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45. The currentfinancial 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 $90,000in 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

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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

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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 amountsrepresenting
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

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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

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57. Which of the following would be considered a long-term liability?
A. A charge accountpayment
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 currentliving expenses from total assets.
C. adding assets and liabilities
D. subtracting assets from currentliabilities.
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

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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

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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

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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

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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 Bostromwants 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

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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 monthlyparking 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 greaterthan expenses for a month.
B. expenses greaterthan income for a month.
C. assets greaterthan 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

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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 savingsand investments.
D. increased purchases on credit.
E. lower amountsdeposited 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 balancesheet
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

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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 paymentitems 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 variousgeographic 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

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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 plannedto 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 deficitwould 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

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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 severaldifferent savings techniques.
C. find saving difficult.
D. keep substantial amounts in a regular savings account.
E. reduce the amount they save during their workinglife.

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

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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 studentloan immediately.
B. Start an emergency fund.
C. Contribute to an RRSP.
D. Purchase life insurance coverage.
E. Accumulate funds for a down paymenton 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

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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

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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?

Personal Finance (Canadian) 7th edition Kapoor Test Bank

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

Personal Finance (Canadian) 7th edition Kapoor Test Bank

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?

Personal Finance (Canadian) 7th edition Kapoor Test Bank

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

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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

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98. The main purposes of personal financial statements are to:
A. summarize the value of the items that you own and the amountsthat you owe
B. track your cash inflowsby 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 accountstatements

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 pensioninformation
B. Personal financial statements
C. Warranties
D. Birth, marriage and death certificates
E. Checking accountstatements

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

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101. Which of the following financial documents would *most likely* be stored in a home file?
A. Serial numbersof 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 $80,000in 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 $80,000in 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

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104. Which of the following would be considered a long-term liability?
A. A charge accountpayment
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 amountsowed 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

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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 purposeof 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

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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 reasonsfor 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 specialitems, such as home video or recreational equipment, or to pay for a vacation
D. To providefor 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 balanceof 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

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