

PERSONAL FINANCIAL MANAGEMENT (165)

REGIONAL – 2017

Multiple Choice:

30 @ 2 points each _____ (60 points)

Short Answer:

16 @ 5 points each _____ (80 points)

TOTAL POINTS _____ (***140 points***)

Failure to adhere to any of the following rules will result in disqualification:

- 1. Contestant must hand in this test booklet and all printouts. Failure to do so will result in disqualification.**
- 2. No equipment, supplies, or materials other than those specified for this event are allowed in the testing area. No previous BPA tests and/or sample tests or facsimile (handwritten, photocopied, or keyed) are allowed in the testing area.**
- 3. Electronic devices will be monitored according to ACT standards.**

No more than sixty (60) minutes testing time

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GENERAL INSTRUCTIONS

The number of decimal places used in calculations and in the reporting of your answers is very important. Below are guidelines to use as you complete this test. If a problem varies from these guidelines, it will be noted in the problem.

PERCENTAGE PROBLEMS

- Round to the nearest tenth when working with percentages.

Example: Use 2.3% **NOT** 2%

Example: An answer of .9638 should be written as 96.4%

INTEREST

- All interest rates are stated in one-year simple interest, *unless otherwise noted*.
- Interest is to be calculated on 360 days.

DOLLAR AMOUNTS

- All dollar amounts must be rounded to the second place (nearest cent).

Example: \$35.9765 to \$35.98

Multiple Choice: Identify the letter of the choice that best completes the statement or answers the question.

1. The type of auto insurance that covers the cost of repairs to your car when an accident is your fault is _____.
 - a. collision
 - b. comprehensive
 - c. liability
 - d. property

2. The type of stock that gives priority status to dividends is _____.
 - a. common
 - b. treasury
 - c. preferred
 - d. owners

3. Which of the following websites is authorized by the federal government to provide consumers with a free credit report once a year?
 - a. freecreditreport.com
 - b. creditkarma.com
 - c. annualcreditreport.com
 - d. creditreport.com

4. Which of the following *would* be a variable expense on your budget?
 - a. rent
 - b. auto loan repayment
 - c. 401(k) withholding from your paycheck
 - d. clothing

5. The stock exchange in the United States that has 100% of its transactions occurring through a computerized network is the _____.
 - a. NYSE
 - b. Nikkei
 - c. S&P 500
 - d. NASDAQ

6. On December 17th the stock of Sticks and Stones Corp. was listed at \$62.14. Your broker has placed a buy order to purchase 100 shares of the stock. The broker charges a 2% commission. How much will the transaction cost you?
 - a. \$ 124.28
 - b. \$ 621.40
 - c. \$6,214.00
 - d. \$6,338.28

7. For a traditional IRA, at what age can you begin to make withdrawals *without* penalty?
 - a. 59
 - b. 59½
 - c. 60
 - d. 70½

8. Which type of insurance is *not* typically purchased by most individuals?
 - a. Pet
 - b. Health
 - c. Auto
 - d. Life

9. By what date must employers send Form W-2 to employees each year?
 - a. January 31
 - b. March 31
 - c. April 15
 - d. April 30

10. Which of the following payment options will give you the *highest* paycheck, assuming an equal annual salary for all options?
 - a. weekly
 - b. semimonthly
 - c. bi-weekly
 - d. every other week

11. Which is the *best* credit score?
 - a. 100
 - b. 500
 - c. 700
 - d. 1,000

12. What is an *advantage* of a Roth IRA?
 - a. You invest before-tax dollars.
 - b. Your earnings are tax-free.
 - c. You must begin withdrawing the money at age 70½.
 - d. You don't have to pay a penalty on the earnings if you withdraw early.

13. An estimate of income and expenditures for a period of time is known as a(n) _____.
 - a. credit report
 - b. income statement
 - c. portfolio
 - d. budget

14. Which of the following retirement accounts typically *includes* a company match into the employee's account?
- 401(k)
 - Mutual Fund
 - IRA
 - Social Security
15. Who would typically pay a higher premium on their car insurance?
- retired male
 - middle-aged female
 - teenage male
 - young adult female
16. A one-year Certificate of Deposit pays 2.5% interest. If you invested \$750 on February 1, 2017, what amount would you receive from the bank on February 1, 2018?
- \$751.88
 - \$765.00
 - \$768.75
 - \$937.50
17. How old must you be to have a credit card in your name without showing proof of independent income or having a co-signer?
- 16
 - 18
 - 20
 - 21
18. What action should be the last step in most situations when dealing with increasing and uncontrollable personal debt?
- declare bankruptcy
 - hire a credit counselor
 - get a second job
 - pay off as much as you are able
19. Taxable income includes all of the following *except* _____.
- tips you earn at work
 - wages from your job
 - interest from your savings account
 - exemptions for each child you have
20. What is the Patient Protection and Affordable Care Act more commonly known as?
- Employercare
 - Patientcare
 - Insuracare
 - Obamacare

21. To calculate interest on a 90-day, 5%, \$2,100 note, you would use what equation?
- $2,100 \times 5\% \times 90 / 360$
 - $2,100 \times 5\% / 90 / 360$
 - $2,100 \times 5\%$
 - $2,100 \times 5\% / 360$
22. When do most experts agree it would be too late to start using a budget?
- after you have kids
 - after your kids leave the house
 - after retirement
 - never
23. The credit limit on your bank credit card _____.
- is the point at which a higher interest rate on purchases goes into effect
 - defines the amount of money you can borrow against your credit card
 - is the maximum outstanding balance on your credit card you are allowed to have at any point in time
 - is the highest amount of a single purchase you can make on your credit card
24. Spreading your money over several different investments is an example of _____.
- investment banking.
 - diversifying.
 - liquidity.
 - buying long.
25. Which of the “C’s” of credit refers to the ability of a person to repay debt?
- Capital
 - Capacity
 - Collateral
 - Character
26. Which type of auto insurance covers damage to your car caused by a storm?
- collision
 - liability
 - no fault
 - comprehensive
27. Which investment most likely contains the *least* amount of risk?
- stock in a large corporation
 - multi-year Certificate of Deposit
 - index mutual fund tied to the S&P 500
 - stock in a startup corporation

28. What is the *best* investment scenario?
- high risk, high return
 - high risk, low return
 - low risk, low return
 - low risk, high return
29. Your credit score would be impacted *negatively* by _____.
- applying for multiple credit cards
 - paying off your mortgage early
 - maintaining the same part-time job all through college
 - paying off two of your credit cards but *not* all of them
30. Withholdings from your paycheck include all of the following *except* _____.
- federal income tax
 - 401(k) contributions
 - pension fund contributions
 - Social Security tax

Short Answer – Place each answer in the space provided.

1. You have been following the stock of Cutters Corporation for several weeks and have decided to buy into the company. You meet with your advisor the afternoon of January 14 and tell her to buy 75 shares of the stock. She sends the buy order in that evening, and your buy order is executed at the opening bell on January 15 @ \$61.37 per share. Cutters Corp. closes the trading day on the 15th @ \$63.11. The broker earns a commission of 2% on all trades executed for you.
- How much will your broker earn in commission fees? _____
 - How much will the transaction cost you in total? _____
 - What percentage return did you earn on your investment during the first day of owning stock in Cutters Corporation? _____
2. You pay a \$575.00 semi-annual premium on your homeowner's insurance policy. The policy contains a \$750.00 deductible. A severe storm blows through your area and causes damage to the roof estimated at \$1,100.00, and damage to the siding on the house estimated at \$625.00.
- How much will you pay out-of-pocket to repair your home? _____
 - How much will your insurance company pay? _____

3. Natilee Richards, a recent college grad, just began her accounting job where she earns an annual salary of \$52,500.00 before taxes. Withholdings from various taxes are estimated to be \$15,600.00 for the year. She will be paid semi-monthly. Natilee wants to develop a monthly budget, using the following information.

- Estimated monthly expenses include:
 - o Apartment Rent - \$750.00
 - o Utilities - \$250.00
 - o Cell Phone - \$80.00
 - o Car Loan - \$335.00
 - o Food - \$500.00
 - o Clothing - \$300.00
 - o Entertainment - \$200.00
 - o Miscellaneous - \$150.00
- Natilee enrolls in her company's stock purchase plan, which will withhold an amount equal to 2% of her earnings before tax each pay period.
- Natilee has a goal of saving \$300.00 per month into her bank account.

- a. How much will Natilee's net pay be each pay period? _____
- b. What are Natilee's total estimated monthly expenses? _____
- c. Will Natilee be able to reach her savings goal? _____
- d. Natilee's company offers a company match of 50% on her contribution into a 401(k) program. If Natilee chooses to put 3% of her salary into the program, how much would she contribute each pay period? _____
- e. How much would the company match be in the above scenario? _____

4. Natasha Stringer began working at Pete's Pizza during 2016 as a server. When Natasha started her employment, she claimed 0 withholding allowances on Form W-4. During January of 2017 Natasha received the following tax forms and information:
- Form W-2 from Pete's Pizza showing Wages and Tips earned of \$1,245.84, and Federal Tax withheld of \$224.31 for the 2016 year
 - Form 1099 from First City Bank, where Natasha has a savings account, showing interest earned in 2016 of \$43.16
- Natasha knows her tip income for the year was \$830.00, with the remainder of her earnings coming from her hourly wages. Natasha is a high school junior whose parents can claim her on their tax return.

- a. What tax form should Natasha use to file her Federal tax return? _____
 - b. How many exemptions can Natasha claim on her tax return? _____
 - c. What is Natasha's adjusted gross income for 2016? _____
5. Steven Archer owns a computer repair business. Smith Motors, one of Steven's accounts, owes him \$725.00 from a system network repair four months earlier. Steven agrees to accept a promissory note from the customer on the outstanding debt. The 90-day note is signed on December 17, 2016, with an agreed upon interest rate of 7.5%.
- a. What will be the maturity date for the promissory note? _____
 - b. How much more will Steven collect from the note over the account receivable from the customer? _____
 - c. What will be the total amount of cash received from Smith Motors when the note comes due? _____