

## c2

Student: \_\_\_\_\_

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

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

True False

21. Most Canadians have an adequate savings for emergencies.

True False

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

True False

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

True False

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

True False

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

True False

26. Opportunity cost refers to:

A. 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.

27. A home file should be used for:

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

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

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

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

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

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

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

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

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

32. 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

33. A personal balance sheet presents
- A. items owned and amounts owed.
  - B. income and expenses for a period of time.
  - C. earnings on savings and investments.
  - D. amounts budgeted for spending
  - E. family financial goals.
34. The current financial position of an individual or family is *best* presented with the use of a(n)
- A. budget.
  - B. cash flow statement.
  - C. balance sheet.
  - D. bank statement.
  - E. time value of money report.
35. A family with \$70,000 in 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.

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

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

37. 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.

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

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



39. Liabilities are amounts representing

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

40. 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.
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41. Ben Chase needs to pay off some of his debts over the next few months. Which item on his balance sheet would help him decide what amounts are due in the near future?

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

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

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

43. A person's net worth is computed by

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

44. 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

45. 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. decreased value of personal possessions.
- E. reduced amounts owed to others.

46. 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.

47. 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

48. 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.

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

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

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

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

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

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

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

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

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

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

54. A decrease in net worth would be the result of:
- A. income greater than expenses for a month.
  - B. expenses greater than income for a month.
  - C. assets greater than expenses.
  - D. increased earnings on the job.
  - E. income and expenses equal for a month.
55. During the last month, Mary Jane had expenses of \$5,000 and an increase in net worth of \$700. This means Mary Jane's income for the month was:
- A. \$700.
  - B. \$4,300.
  - C. \$5,000.
  - D. \$5,700.
  - E. \$5,200.
56. During the past month, Jennifer Sinnet had income of \$3,500 and a decrease in net worth of \$200. This means Jennifer's payments for the month were:
- A. \$3,700.
  - B. \$3,300.
  - C. \$2,800.
  - D. \$1,000.
  - E. \$200.

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

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

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

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

59. A major expenditure for *most* families is

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

60. The payment items that should be budgeted first are

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

61. Changes in the cost of living are

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

62. 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.



63. If a family planned to spend \$370 for food during March but only spent \$348, this difference would be referred to as a
- A. surplus.
  - B. deficit.
  - C. fixed living expense.
  - D. budget reduction.
  - E. contribution to net worth.
64. A budget deficit would result when a person's or family's
- A. actual expenses are less than planned expenses.
  - B. actual expenses are greater than planned expenses.
  - C. actual expenses equal planned expenses.
  - D. assets exceed liabilities.
  - E. net worth decreases.
65. The Crown family has a difficult time staying on a budget. In an effort to actually see what funds are available for various expenses, a \_\_\_\_\_ budget would be most appropriate.
- A. written
  - B. computerized
  - C. physical
  - D. deficit
  - E. mental

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

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

67. \_\_\_\_\_ 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

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

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

69. Janice spends a total of \$1,500 a month to cover all living expenses. Which of the following would represent the appropriate emergency fund?
- A. \$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
70. 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
71. Janice spends a total of \$1,500 a month to cover all living expenses. Which of the following would represent the minimum acceptable emergency fund?
- A. Zero
  - B. \$1,500
  - C. \$4,500
  - D. \$9,000
  - E. \$3,000

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

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

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

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

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

## c2 Key

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

(p. 54)

**FALSE**

*Difficulty: Easy*

*Kapoor - Chapter 02 #1*

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

(p. 50)

**TRUE**

*Difficulty: Easy*

*Kapoor - Chapter 02 #2*

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

(p. 50)

**TRUE**

*Difficulty: Medium*

*Kapoor - Chapter 02 #3*

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

(p. 51)

**TRUE**

*Difficulty: Easy*

*Kapoor - Chapter 02 #4*

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

(p. 60)

**FALSE**

*Difficulty: Medium*  
*Kapoor - Chapter 02 #5*

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

(p. 52)

**FALSE**

*Difficulty: Easy*  
*Kapoor - Chapter 02 #6*

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

(p. 52)

**FALSE**

*Difficulty: Medium*  
*Kapoor - Chapter 02 #7*

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

(p. 55)

**TRUE**

*Difficulty: Medium*  
*Kapoor - Chapter 02 #8*

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

(p. 55)

**TRUE**

*Difficulty: Medium*  
*Kapoor - Chapter 02 #9*

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

(p. 53)

**FALSE**

*Difficulty: Medium*

*Kapoor - Chapter 02 #10*

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

(p. 54)

**TRUE**

*Difficulty: Easy*

*Kapoor - Chapter 02 #11*

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

(p. 55)

**FALSE**

*Difficulty: Medium*

*Kapoor - Chapter 02 #12*

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

(p. 55)

**TRUE**

*Difficulty: Medium*

*Kapoor - Chapter 02 #13*

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

(p. 57)

**TRUE**

*Difficulty: Easy*

*Kapoor - Chapter 02 #14*



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

(p. 57)

**FALSE**

*Difficulty: Easy*

*Kapoor - Chapter 02 #15*

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

(p. 57)

**FALSE**

*Difficulty: Medium*

*Kapoor - Chapter 02 #16*

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

(p. 60 and

61)

**TRUE**

*Difficulty: Easy*

*Kapoor - Chapter 02 #17*

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

(p. 55)

**TRUE**

*Difficulty: Medium*

*Kapoor - Chapter 02 #18*

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

(p. 57)

**FALSE**

*Difficulty: Medium*

*Kapoor - Chapter 02 #19*

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

(p. 64)

**TRUE**

*Difficulty: Medium*

*Kapoor - Chapter 02 #20*

21. Most Canadians have an adequate savings for emergencies.

(p. 67)

**FALSE**

*Difficulty: Medium*

*Kapoor - Chapter 02 #21*

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

(p. 67)

**FALSE**

*Difficulty: Medium*

*Kapoor - Chapter 02 #22*

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

(p. 68)

**FALSE**

*Difficulty: Medium*

*Kapoor - Chapter 02 #23*

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

(p. 61)

**TRUE**

*Difficulty: Easy*

*Kapoor - Chapter 02 #24*

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

(p. 54)

TRUE

*Difficulty: Medium*

*Kapoor - Chapter 02 #25*

26. Opportunity cost refers to:

(p. 50)

- 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.

*Difficulty: Easy*

*Kapoor - Chapter 02 #26*

27. A home file should be used for:

(p. 51)

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

*Difficulty: Easy*

*Kapoor - Chapter 02 #27*

28. Which of the following financial documents would *most likely* be stored in a safety deposit box?  
(p. 52)

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

*Difficulty: Easy*  
*Kapoor - Chapter 02 #28*

29. An example of a personal and employment document is a:  
(p. 52)

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

*Difficulty: Easy*  
*Kapoor - Chapter 02 #29*

30. A brokerage statement is an example of a(n) \_\_\_\_\_ record.  
(p. 52)

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

*Difficulty: Medium*

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

(p. 52)

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

*Difficulty: Easy*

*Kapoor - Chapter 02 #31*

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

(p. 52)

- 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

*Difficulty: Medium*

*Kapoor - Chapter 02 #32*

33. A personal balance sheet presents

(p. 53)

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

*Difficulty: Medium*

*Kapoor - Chapter 02 #33*

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

(p. 53)

- A. budget.
- B. cash flow statement.
- C. balance sheet.
- D. bank statement.
- E. time value of money report.

*Difficulty: Medium*

*Kapoor - Chapter 02 #34*

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

(p. 55)

- A. \$70,000.
- B. \$22,000.
- C. \$48,000
- D. \$92,000.
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*Difficulty: Medium*

*Kapoor - Chapter 02 #35*

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

(p. 53)

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

*Difficulty: Easy*

*Kapoor - Chapter 02 #36*

37. Liquid assets refer to

(p. 53)

- 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.

*Difficulty: Medium*

*Kapoor - Chapter 02 #37*

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

(p. 54)

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

*Difficulty: Medium*

39. Liabilities are amounts representing

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- A. taxable income
- B. items of value.
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*Kapoor - Chapter 02 #39*

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

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- 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.

*Difficulty: Medium*

*Kapoor - Chapter 02 #40*



41. Ben Chase needs to pay off some of his debts over the next few months. Which item on his balance sheet would help him decide what amounts are due in the near future?  
(p. 54)

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

*Difficulty: Easy*  
*Kapoor - Chapter 02 #41*

42. Which of the following would be considered a long-term liability?  
(p. 55)

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

*Difficulty: Easy*  
*Kapoor - Chapter 02 #42*

43. A person's net worth is computed by  
(p. 55)

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

*Difficulty: Medium*

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

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

*Difficulty: Hard*

*Kapoor - Chapter 02 #44*

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

(p. 55)

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

*Difficulty: Medium*

*Kapoor - Chapter 02 #45*

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

(p. 55)

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

*Difficulty: Medium*

*Kapoor - Chapter 02 #46*

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

(p. 55)

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

*Difficulty: Easy*

*Kapoor - Chapter 02 #47*

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

(p. 57)

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

*Difficulty: Easy*

*Kapoor - Chapter 02 #48*

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

(p. 57)

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

*Difficulty: Easy*

*Kapoor - Chapter 02 #49*

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

(p. 57)

- A. \$70,000
- B. \$76,000
- C. \$77,500
- D. \$56,500
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*Difficulty: Hard*

*Kapoor - Chapter 02 #50*

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

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

*Difficulty: Easy*

*Kapoor - Chapter 02 #51*

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- 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

*Difficulty: Medium*

*Kapoor - Chapter 02 #52*

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

(p. 57)

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

*Difficulty: Medium*

*Kapoor - Chapter 02 #53*

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(p. 55)

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

*Difficulty: Hard*

*Kapoor - Chapter 02 #54*

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

(p. 55)

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

*Difficulty: Hard*

*Kapoor - Chapter 02 #55*

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

(p. 55)

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

*Difficulty: Hard*  
*Kapoor - Chapter 02 #56*

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

(p. 55)

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

*Difficulty: Medium*  
*Kapoor - Chapter 02 #57*

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

(p. 53)

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

*Difficulty: Medium*

59. A major expenditure for *most* families is

(p. 64)

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

*Difficulty: Easy*

*Kapoor - Chapter 02 #59*

60. The payment items that should be budgeted first are

(p. 63)

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

*Difficulty: Medium*

*Kapoor - Chapter 02 #60*



61. Changes in the cost of living are

(p. 63)

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

*Difficulty: Hard*

*Kapoor - Chapter 02 #61*

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

(p. 63)

- A. financial plan.
- B. current liability.
- C. change in net worth.
- D. budget variance.
- E. variable living expense.

*Difficulty: Medium*

*Kapoor - Chapter 02 #62*

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

(p. 64)

would be referred to as a

- A. surplus.
- B. deficit.
- C. fixed living expense.
- D. budget reduction.
- E. contribution to net worth.

*Difficulty: Medium*

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

(p. 64)

- 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.

*Difficulty: Medium*

*Kapoor - Chapter 02 #64*

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

(p. 60)

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

*Difficulty: Medium*

*Kapoor - Chapter 02 #65*

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

(p. 67)

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

*Difficulty: Easy*

*Kapoor - Chapter 02 #66*

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

(p. 68)

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

*Difficulty: Medium*

*Kapoor - Chapter 02 #67*

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

(p. 61)

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

*Difficulty: Medium*

*Kapoor - Chapter 02 #68*

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

(p. 61)

- 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

*Difficulty: Easy*

*Kapoor - Chapter 02 #69*

70. A five-year non-redeemable GIC is classified as a(n) \_\_\_\_\_ asset on the personal  
(p. 54) balance sheet.

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

*Difficulty: Easy*

*Kapoor - Chapter 02 #70*

71. Janice spends a total of \$1,500 a month to cover all living expenses. Which of the following  
(p. 61) would represent the minimum acceptable emergency fund?

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

*Difficulty: Easy*

*Kapoor - Chapter 02 #71*

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

(p. 55)

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

*Difficulty: Hard*

*Kapoor - Chapter 02 #72*

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

(p. 52)

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

*Difficulty: Medium*

*Kapoor - Chapter 02 #73*

74. What are the main components of a personal balance sheet and a cash flow statement? What (p. 53-55) is the main purpose of each of these personal financial statements?

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

*Difficulty: Medium*

*Kapoor - Chapter 02 #74*

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

(p. 68)

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

*Difficulty: Hard*

*Kapoor - Chapter 02 #75*

## c2 Summary

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