Personal Finance
Comm 2730
Sample Questions

Below are sample assessment questions. Some questions will require only knowledge; others will require both knowledge and the application of that knowledge. Some questions are in the "best-answer" format, meaning that more than one answer *could be correct*, and one is superior to the others.

On the assessment, read all application questions and answers ***very carefully*** before selecting an answer. Then check your work and your answers a second time.

We can go over the sample questions during the **review session**.

1. With an inflation rate of 9 percent, prices would double in approximately ___________ years.
   A. 6
   B. 8
   C. 10

2. As Tyler plans to set aside funds for her young children's college education, she is setting a(n) ____________ goal.

   A. intermediate
   B. long-term
   C. short-term

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

   A. Checkbook and budget
   B. Tax returns and bank statements
   C. Balance sheet and cash flow statement

4. A personal balance sheet presents:
   A. assets owned and amounts owed.
   B. earnings on savings and investments.
   C. income and expenses for a period of time.

5. Which of the following is most likely a long-term liability?
   A. Mortgage
   B. Car loan
   C. Credit-card debt

6. Which of the following most likely illustrates an insolvent situation?

   A. Liabilities $45,000; net worth $6,000
   B. Assets $40,000; liabilities $45,000
   C. Assets $45,000; liabilities $40,000

7. For January, Bethany had cash inflows of $4,200 and cash outflows of $4,750. Compared to her December 31 balance sheet, Bethany's January 31 balance sheet will *most likely* show:

   A. increased assets of $4,200.
   B. decreased assets of $550 *or* increased liabilities of $550.
   C. increased assets of $4,200 and decreased liabilities of $4,750.

8. Washington, 27, works in sales for a young technology company. She earns a modest salary plus commission. Technology changes quickly, but Washington is fortunate to work for a company with a terrific product that is currently in high demand. Last year her total compensation from salary and commissions was $125,000. She has already earned that much in the first 10 months of this year, and has saved six months of expenses in her savings account as an emergency fund. She purchased a home with a fixed-rate mortgage six months ago. She contributes the maximum allowable amount to her 401(k) every year. She has invested her retirement assets in a broadly diversified stock (equity) fund. The economy had been growing very slowly for several years, but has been growing steadily for the past 12-18 months. The most significant financial risk to Washington's financial well-being in the next two to three years is *most likely*:

   A. Income risk.
   B. Inflation risk.
   C. Liquidity risk.

9. Kayla pays her entire credit card bill each month and does not carry a balance. She recently paid off her student loans and has calculated her current net worth is $30,000, excluding the value of her home on which she carries an $80,000 mortgage. Kayla owes $15,000 on a car loan charging 2.9% interest. Excluding her residence, Kayla's debt-to-equity ratio is *closest* to:

   A. 0.3
   B. 0.5
   C. 2.0

10. Lee is a scholarship student who will graduate in May. Last summer, Lee interned for a large, well-established firm and earned $10,000 in gross compensation. He has decided to contribute $5,000 to a Roth IRA for the tax year. Assuming he earns no other income and files as a single taxpayer, Lee's taxable income will be closest to:

    A. $0
    B. $5,000
    C. $10,000

11. Sam is a full-time student who is paying her way through UVA with student loans, grants, scholarships, and part-time and summer jobs. Sam's parents help by sending Sam $200 per month. To simplify matters and

minimize their taxes each year, Sam's parents have completed and filed all the tax returns, claiming Sam as a tax dependent since Sam's birth. For the current tax year, the best tax strategy for the family would be for:

A. Sam's parents to continue to claim Sam as a tax dependent and file Sam's taxes for her.
B. Sam to file as a single taxpayer; her parents no longer claim her as a tax dependent.
C. Sam to file as a single taxpayer; her parents can continue to claim her as a tax dependent.