

# FINANCIAL MATH & ANALYSIS CONCEPTS (190)

—OPEN EVENT—

**REGIONAL – 2018**

**DO NOT WRITE ON TEST BOOKLET**

*TOTAL POINTS* \_\_\_\_\_ *(100 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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### MULTIPLE CHOICE

Identify the letter that best completes each sentence or answers the question.

1. Higher consumer prices are likely to be accompanied by \_\_\_\_\_.
  - a. lower union wages
  - b. lower interest rates
  - c. lower production costs
  - d. higher interest rates
  
2. You are planning to buy a house in five years. How much do you need to deposit today to have a \$10,000 down payment if your investment will make 6%?
  - a. \$6,000
  - b. \$6,590
  - c. \$7,470
  - d. \$9,400
  
3. \_\_\_\_\_ risk refers to the danger of lost buying power during times of rising prices.
  - a. Trade-off
  - b. Economic
  - c. Personal
  - d. Inflation
  
4. All of the following are examples of intangible goals, *except* \_\_\_\_\_.
  - a. obtaining a college degree
  - b. going on a cruise vacation
  - c. buying a house
  - d. losing weight
  
5. Lynn Roy has decided to take retirement from her job and use the time she has earned to travel around the world. She has decided to start her trip in Europe by train and bus and will use her savings to pay for her trip. Which step in the financial planning process does this scenario demonstrate?
  - a. Developing her financial goals
  - b. Identifying alternative courses of action
  - c. Evaluating her alternatives
  - d. Implementing her financial plan
  
6. Julia Roberts' goal has been to travel around the world. She has now been traveling for six months and has decided she is a little tired of living out of a suitcase. She has decided to go home, look for a part-time job and take shorter trips to locations around the world that appeal to her. Which step in the financial planning process does this scenario most likely demonstrate?
  - a. Developing her financial goals
  - b. Identifying alternative courses of action
  - c. Implementing her financial plan
  - d. Reviewing and revising her financial plan

7. Jenny Doe wants to travel after she retires as well as pay off the balance of the loan she has on the home she owns. Which step in the financial planning process does this situation demonstrate?
- Determining her current financial situation
  - Developing her financial goals
  - Identifying alternative courses of action
  - Evaluating her alternatives
8. Measuring risk associated with making most financial decisions is difficult because of what factor(s)?
- Inflation risk
  - Interest rate risk
  - Personal risk
  - All of the above
9. The financial planning process concludes with efforts to \_\_\_\_\_.
- develop financial goals
  - create a financial plan of action
  - analyze your current personal and financial situation
  - review and revise your actions
10. Developing and using a budget is part of which component of financial planning?
- Planning
  - Investing
  - Spending
  - Managing Risk
11. The changing cost of money is referred to as \_\_\_\_\_ risk.
- interest-rate
  - inflation
  - economic
  - trade-off
12. A bank loaned Jackie Chase \$3,000 at 13.5% ordinary interest for 90 days. Calculate the amount of interest owed on the loan \_\_\_\_\_.
- \$125.01
  - \$12.50
  - \$101.25
  - \$11.25
13. Which of the following is usually considered a *long-term* financial strategy?
- Creating a budget
  - Using savings to pay off a loan early
  - Renting an apartment to save for the purchase of a home
  - Investing in a growth mutual fund to accumulate retirement funds

14. John Abdi is interested in purchasing a 46" rear projection TV for his living room. He knows that right now the TV will cost approximately \$1500. John wants to borrow the money to purchase the TV but is a little concerned because he thinks interest rates are going to fall in the future. He is worried that he might get stuck with a loan at a high interest rate. What type of risk is John worried about?
- Inflation risk
  - Interest rate risk
  - Income risk
  - Personal risk
15. Which of the following is an example of opportunity cost?
- Renting an apartment near school
  - Saving money instead of taking a vacation
  - Setting aside money for paying income tax
  - Purchasing automobile insurance
16. When prices are rising at a rate of 3 percent, the cost of products and services would double in \_\_\_\_\_ years.
- 36
  - 12
  - 24
  - 36
17. Sawyer Brown is interested in purchasing a 46" rear projection TV for his living room. Sawyer knows that right now the TV will cost approximately \$1500. Sawyer is not sure he can afford this TV right now but is worried that if he waits, the cost of the TV will rise to \$1800. Which type of risk is Sawyer worried about?
- Inflation risk
  - Interest rate risk
  - Income risk
  - Personal risk
18. Harrison Ford is interested in purchasing a 46" rear projection TV for his living room. He knows that right now the TV will cost approximately \$1500. However, Harrison is a little concerned about his job. Harrison is a pilot for KLM Airlines and he thinks it is possible that he could be laid off in the near future. What type of risk is Harrison worried about?
- Inflation risk
  - Interest rate risk
  - Income risk
  - Personal risk

19. Melanie Jacobsen likes to go to the movies once a week. When she is at the movies, she generally gets large popcorn and a drink. Melanie wants to be sure that she sets aside money each week so she can continue going to the movies. What type of goal would this be for Melanie?
- Consumable-products goal
  - Durable-products goal
  - Intangible goal
  - Intermediate goal
20. The uncertainty associated with decision-making is referred to as \_\_\_\_\_.
- opportunity cost
  - selection of alternatives
  - personal values
  - risk
21. A family spends \$40,000 on living expenses. With an annual inflation rate of 3 percent, they can expect to spend approximately \_\_\_\_\_ in three years.
- \$40,300
  - \$41,200
  - \$43,720
  - \$46,000
22. The annual price increase for consumer goods and services measured by the Bureau of Labor Statistics is called \_\_\_\_\_.
- deflation
  - the consumer price index
  - the price calculator
  - the goods index
23. If \$1,000 is deposited in an account that earns 4% per year, what would be the value in 5 years?
- \$5,506
  - \$5,250
  - \$5,416
  - \$6,500
24. Lynn Segal knows that if she continues to work full time, it will be difficult for her to get the time off she needs to be able to travel around the world. However, if she continues to work full-time she will more easily earn the money she needs to take her trip and still have money left for her living expenses after she gets back from her trip. Which step in the financial planning process does this scenario demonstrate?
- Determining her current financial situation
  - Developing her financial goals
  - Identifying alternative courses of action
  - Evaluating her alternatives

25. One aspect of financial planning is to make wise decisions as to what to purchase and when to purchase it. Which aspect of financial planning does this deal with?
- Borrowing
  - Spending
  - Managing Risk
  - Investing
26. If you desire your money to double in 6 years, what rate of return would you need to earn?
- 6 percent
  - 9 percent
  - 10 percent
  - 12 percent
27. Even though prices decline during \_\_\_\_\_, spending slows because consumers expect prices to continue to decline.
- deflation
  - depreciation
  - appreciation
  - economic recovery
28. John Dean has just moved into a new house and needs a lawn mower since he has always lived in apartments and now he has a lawn to mow. What type of goal would this be for John?
- Consumable-products goal
  - Durable-products goal
  - Intangible goal
  - Intermediate goal
29. One aspect of financial planning is to make sure you maintain adequate insurance coverage for your needs. Which aspect of financial planning does this deal with?
- Borrowing
  - Spending
  - Managing Risk
  - Investing
30. The first step of the financial planning process is to \_\_\_\_\_.
- develop financial goals
  - implement the financial plan
  - analyze your current personal and financial situation
  - evaluate and revise your actions
31. Developing financial goals is the \_\_\_\_\_ step in the financial planning process.
- first
  - second
  - third
  - fourth

32. Financial intermediaries include the following \_\_\_\_\_.
- bank
  - credit unions
  - insurance companies
  - All of the above
33. Carter is planning to go to graduate school in a program that will take three years. Carter wants to have available \$10,000 available each year for his school and living expenses. If he earns 6% on his investments, how much must be deposited at the start of his studies for him to withdraw \$10,000 a year for three years?
- \$10,000
  - \$18,390
  - \$26,730
  - \$29,100
34. Changes in income, values, and family situation make it necessary to \_\_\_\_\_.
- evaluate and revise your actions
  - implement the financial plan
  - develop financial goals
  - analyze your current personal and financial situation
35. Marion Sander's new job is very demanding. She regularly works long hours and on the weekends. As a result, Marion has not had much time for her family and friends. This is an example of \_\_\_\_\_.
- deflation
  - financial opportunity cost
  - personal opportunity cost
  - time value of money
36. Heidi Ballingson wants to travel around the world. She has several options she can pursue. She can continue to work full-time to earn the money she needs for her trip. She can work part-time so that she can still earn some money but have the time necessary to complete her trip. She can take full retirement so that she has all the time necessary to complete her trip. Which step in the financial planning process does this scenario demonstrate?
- Determining her current financial situation
  - Developing her financial goals
  - Identifying alternative courses of action
  - Evaluating her alternatives
37. More recently, the annual price increase for most goods and services as measured by the consumer price index has been less than \_\_\_\_\_ percent.
- 1
  - 2
  - 3
  - 4

38. Increased home building results in \_\_\_\_\_.
- decreased job opportunities
  - lower wages
  - decreased consumer spending
  - overall economic expansion
39. One aspect of financial planning is to control your use of credit. Which aspect of financial planning does this deal with?
- Borrowing
  - Spending
  - Managing Risk
  - Investing
40. Sources for financial planning can be found from \_\_\_\_\_.
- print and media
  - digital sources
  - financial institutions
  - All of the above
41. One aspect of financial planning is to buy stocks, bonds and mutual funds with the potential for long term growth. Which aspect of financial planning does this deal with?
- Borrowing
  - Spending
  - Managing Risk
  - Investing
42. Using the services of financial institutions will be *most* evident in your effort to \_\_\_\_\_.
- develop financial goals
  - evaluate and revise your actions
  - analyze your current personal and financial situation
  - implement the financial plan
43. Paul Fletcher is 43 years old, married and has three children, ages 13, 10 and 5. Which influence on financial planning does this demonstrate?
- Adult Life Cycle
  - Economic Factors
  - Global Influences
  - Opportunity Costs



44. Scotlyn Jade is considering investing in 30-year Corporate Bonds issued by Duke Energy Company. She knows that she will earn an interest rate of 8% by purchasing these bonds. However, she is concerned because she might need to take her money out of this investment in a year and she has heard that she might have to sell the bonds at a significantly lower price than she will purchase them for. What type of risk is Scotlyn concerned about?
- Inflation risk
  - Interest rate risk
  - Personal risk
  - Liquidity risk
45. Analyzing your current financial position is a part of which step in the financial planning process?
- First
  - Second
  - Third
  - Fourth
46. Nancy Flury will retire in the next year and has \$675,000 in savings and investments and owns her own home that is worth \$250,000. Which step in the financial planning process does this situation demonstrate?
- Determining her current financial situation
  - Developing her financial goals
  - Identifying alternative courses of action
  - Evaluating her alternatives
47. The term for the way people make, distribute and use their services is \_\_\_\_\_.
- opportunity cost
  - short term goals
  - economy
  - wealth watch
48. The term for earning interest on previously earned interest is \_\_\_\_\_.
- compounding
  - economics
  - doubling down
  - inflation
49. Spending, saving, and investing to have the kind of life you want and financial security can be achieved by \_\_\_\_\_.
- personal financial planning
  - paying interest
  - discussing your financial situation with a friend
  - regulating inflation

50. Of the following investments, the one with the most predictable income is \_\_\_\_\_.
- a. gold
  - b. commodities
  - c. real estate
  - d. a U.S. Savings bond



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**Graders: Please double check and verify all scores and answer keys!**

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**FINANCIAL MATH & ANALYSIS CONCEPTS-OPEN - REGIONAL 2018**  
**ANSWER KEY**  
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- |       |        |
|-------|--------|
| 1. D  | 26. C  |
| 2. C  | 27. A  |
| 3. D  | 28. B  |
| 4. C  | 29. C  |
| 5. D  | 30. C  |
| 6. D  | 31. B  |
| 7. B  | 32. D  |
| 8. D  | 33. C  |
| 9. D  | 34. A  |
| 10. A | 35. C  |
| 11. A | 36. C  |
| 12. C | 37. B  |
| 13. D | 38. ED |
| 14. B | 39. A  |
| 15. B | 40. D  |
| 16. C | 41. D  |
| 17. A | 42. D  |
| 18. C | 43. A  |
| 19. A | 44. D  |
| 20. D | 45. A  |
| 21. C | 46. A  |
| 22. B | 47. C  |
| 23. C | 48. A  |
| 24. D | 49. A  |
| 25. B | 50. D  |