

Contestant Number: _____

Time: _____

Rank: _____



PERSONAL FINANCIAL MANAGEMENT (165)

REGIONAL 2022

CONCEPT KNOWLEDGE:

Multiple Choice (30 @ 2 points each) _____ (60 points)

APPLICATION KNOWLEDGE:

Short Answer (18 @ 3 points each) _____ (54 points)

TOTAL POINTS _____ (*114 points*)

Test Time: 60 minutes

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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

Concept Knowledge – Determine the *best* answer to each of the following multiple choice questions.

1. Under the rule of 72, how long will it take an investment earning 6% annually to double in value?
 - a. 3 years
 - b. 6 years
 - c. 10 years
 - d. 12 years

2. A small, fixed amount required by a health insurer to be paid by the insured for each outpatient visit is known as a _____.
 - a. deductible
 - b. claim
 - c. co-pay
 - d. premium

3. In general, given the same amount of income, which situation would result in the highest amount of income tax deducted?
 - a. Married person with one child
 - b. Married person with no children
 - c. Single person with one child
 - d. Single person with no children

4. When developing a budget, which of the following is related to the secondary budget category?
 - a. wants
 - b. needs
 - c. savings
 - d. taxes

5. _____ is (are) the portion of earnings a corporation pays to its shareholders.
 - a. Retained earnings
 - b. Dividends
 - c. Common stock
 - d. Preferred stock

6. A tip for a college student to improve their credit score is to _____.
 - a. only stay in a part-time job for a couple of months
 - b. apply for several credit cards
 - c. open and maintain a checking account
 - d. pay off a credit card bill no more than two weeks late

7. What agency is responsible for overseeing federal income taxes?
 - a. Securities and Exchange Commission
 - b. Federal Deposit Insurance Corporation
 - c. Federal Reserve
 - d. Internal Revenue Service

8. Which of the following means debt?
 - a. Liability
 - b. Owner's Equity
 - c. Expense
 - d. Asset

9. Which of the following represents the best credit score?
 - a. 100
 - b. 500
 - c. 800
 - d. 1,100

10. What service is generally *not* included in most health insurance plans?
 - a. Hospital stay
 - b. X-ray
 - c. Annual well-check
 - d. Cosmetic Surgery

11. What date is known as tax day in the United States?
 - a. January 31
 - b. March 15
 - c. April 15
 - d. December 31

12. What is the formula for simple interest?
 - a. $P + R + T$
 - b. $P + R \times T$
 - c. $P \times R + T$
 - d. $P \times R \times T$

13. The credit limit on your bank credit card _____.
 - a. is the point at which a higher interest rate on purchases goes into effect
 - b. defines the amount of money you can borrow against your credit card
 - c. is the maximum outstanding balance on your credit card you are allowed to have at any point in time
 - d. is the highest amount of a single purchase you can make on your credit card at any time

14. What type of insurance covers damage to your car when you cause the accident?
 - a. Liability
 - b. Collision
 - c. Comprehensive
 - d. Uninsured motorist

15. Which of the following retirement accounts typically includes a company match into the employee's account?
 - a. 401(k)
 - b. Mutual Fund
 - c. Traditional IRA
 - d. Roth IRA

16. What agency protects your savings in a bank?
 - a. Securities and Exchange Commission
 - b. Federal Deposit Insurance Corporation
 - c. Federal Reserve
 - d. Internal Revenue Service

17. At what age must you begin taking withdrawals from a traditional IRA?
 - a. 59 ½
 - b. 62
 - c. 65
 - d. 72

18. Your gross income for the month is \$6,275. Your withholdings for the month include \$1,520 in taxes and \$300 for a 401(k) account. You have monthly fixed expenses of \$3,160. What is your monthly discretionary spending?
 - a. \$1,295
 - b. \$1,595
 - c. \$3,115
 - d. \$4,455

19. Which of the following is *not* one of the three common credit reporting agencies?
 - a. Equifax
 - b. Experian
 - c. Mastercard
 - d. Transunion

20. What investment example best illustrates diversification?
 - a. Investing 3% of your salary monthly into the stock of the company you work for.
 - b. Having a portfolio that includes treasury notes, various stocks in different economic sectors, and a Certificate of Deposit at your bank.
 - c. Buying several different stocks in the technology sector along with a Certificate of Deposit.
 - d. Putting most of your money into an ETF.

21. Which of the following is *not* an advantage of establishing an IRA?
- The growth of an IRA is tax-free until the money is withdrawn from the account.
 - The withdrawals from an IRA can be made at any time without penalty.
 - The contributions to an IRA may be partially or fully tax-deferred.
 - You determine the level of risk and rate of return when you select the IRA.
22. Which of the following is *not* a deduction from an employee paycheck?
- Federal Income Tax
 - 401(k) withholding
 - Federal Unemployment Tax
 - Medical Insurance
23. What is the age that most can receive a credit card without showing an ability to independently repay a debt or having a cosigner?
- 16
 - 18
 - 21
 - 25
24. You are issued a Visa credit card by 1st National Bank and make a \$200 purchase at Target using your new credit card. When you receive your statement a month later, who do you pay the \$200 to?
- Target
 - 1st National Bank
 - Visa
 - A combination of all three depending on the fees charged.
25. You invest \$500 into a 4%, 1-year Certificate of Deposit. At the end of that year, how much interest will you have earned?
- \$ 20
 - \$100
 - \$200
 - \$500
26. What is the name of the most widely quoted stock index in the United States?
- Russell 2,000
 - S&P 500
 - Dow Jones Transportation Average
 - Dow Jones Industrial Average

27. What tax form does each employee complete upon beginning their employment, showing their marital status and number of deductions they are wishing to claim?
- Form W-4
 - Form W-2
 - Form 1099
 - Form 1040
28. Which of the following employees would not be eligible for healthcare coverage under the Affordable Care Act?
- Full-time employee of a partnership with 500 employees
 - Part-time employee of a corporation with 1,000 employees
 - Full-time employee of a corporation with 1,000 employees
 - Full-time employee of a proprietorship with 100 employees
29. At what age may you begin to withdraw money without penalty from your 401(k) plan?
- 59 1/2
 - 65
 - 70 1/2
 - 72
30. What organization determines interest rates?
- Federal Reserve
 - Congress
 - National Credit Card Council
 - Department of the Treasury

Application Knowledge – Read each problem and answer the questions in the space provided.
(3 points each)

1. Miles Talbot received a new credit card on November 1st. The terms on the credit card include a \$30 fee for late payments, and an 18% APR. The APR is applied to the average daily balance for the applicable period, and uses 360 days in a year. Miles makes the following purchases for the months of November and December.
- \$100 on November 1st
 - \$400 on November 16th
 - \$75 on December 10th
 - \$100 on December 20th

Miles credit card statement is created at the close of business on November 30th, making the period 30 days. The credit card statement shows a minimum payment of \$20 due on December 21st.

- a. What is the November 30th statement balance? _____
- b. How much does Miles have to pay to avoid paying a late fee? _____
- c. If Miles pays his November balance in full by the December 21st due date, how much will he be charged in interest? _____
- d. Assuming he pays the November balance in full and by December 21st, what will be the outstanding balance on the December 31st statement? _____
- e. If Miles makes a payment of \$20 on December 21st, will he get charged the late fee? _____
- f. If Miles does not make any payment toward his November balance, what will be his credit card balance on December 31st? _____

2. Shay Hendricks creates an online investment account for herself. The account charges a 1% fee per transaction. Shay has the following stock transactions during 2022.

- Bought 50 shares of Pendant Publishing @ \$45.90
- Bought 10 shares of Vandalay Industries @ \$289.10
- Bought 20 shares of Constanza Architecture Corp @ \$185.50
- Sold 50 shares of Pendent Publishing @ \$52.80

- a. How much money did Shay get charged in fees? _____
- b. Before selling Pendent Publishing, which stock represented the biggest percentage of her investment portfolio? _____
- c. What percentage did that stock represent of her portfolio? _____
- d. Ignoring any fees, how much did Shay make on the Pendant Publishing sale? _____
- e. Ignoring any fees, what percentage return did Shay receive on her sell? _____
- f. On December 31st, 2022, respective stock prices were:
Pendant Publishing \$50.75;
Vandalay Industries, \$305.60;
Constanza Architecture \$189.72. What is the value of Shay's portfolio at the end of 2022? _____

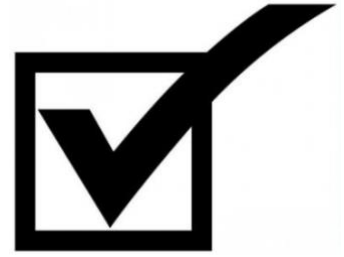
3. Roberto Diaz's homeowner's insurance policy fully covers his home and property with an appraisal value of \$300,000. The policy includes a deductible of \$7,500. Roberto pays a quarterly premium of \$425 for the policy. In April of 2022, Roberto's house was damaged in a storm. The total cost to repair the damage was \$13,640.

- a. How much does Roberto pay annually in premiums? _____
- b. What will Roberto pay out of pocket to repair the damage? _____
- c. How much will Roberto's insurance pay for the repairs? _____

4. Cassie Castillo graduated with a BS in Accounting in 2021 and took a job with one of the Big Four accounting firms. Her starting salary in June of 2021 was \$58,000. On her anniversary date in June of 2022, she will receive a promotion that includes an increase of 5.3% to her salary. Cassie's tax bracket is 22% for federal tax, and 3.5% for state tax. Cassie is paid biweekly, and has \$75 deducted from each paycheck for health insurance.
- a. How much will Cassie's new annual salary be in June of 2022? _____
 - b. What is Cassie's net pay on each paycheck in December 2021? _____
 - c. What will be Cassie's net pay on each paycheck in July of 2022? _____



**BUSINESS
PROFESSIONALS**
of **AMERICA**
Giving Purpose to Potential



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(165)

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Concept Knowledge - Multiple Choice -2 points each

- | | |
|-------|-------|
| 1. D | 16. B |
| 2. C | 17. D |
| 3. D | 18. A |
| 4. A | 19. C |
| 5. B | 20. B |
| 6. C | 21. B |
| 7. D | 22. C |
| 8. A | 23. C |
| 9. C | 24. B |
| 10. D | 25. A |
| 11. C | 26. D |
| 12. D | 27. A |
| 13. C | 28. B |
| 14. B | 29. A |
| 15. A | 30. A |

Application Knowledge – Short Answer Problems – 3 points each

Note to Graders – Count as correct answers that are off by a few cents. Some problems have multiple ways to achieve the correct answer that might result in a small difference.

1.

- a. 500
- b. 20
- c. 0
- d. 175
- e. no
- f. 709.50

2.

- a. 115.36
- b. Constanza Architecture
- c. 41.7%
- d. 345
- e. 15.0%
- f. 6,850.40

3.

- a. 1,700
- b. 7,500
- c. 6,140

4.

- a. 61,074
- b. 1,586.92
- c. 1,675