FILL IN THE BLANK (note: some terms will not be used)

| bond | money | sales tax |
| :--- | :--- | :--- |
| deposit institution | municipal bond | security |
| finance | non-deposit institution | source of funds |
| financial plan | opportunity cost | stock |
| income tax | personal financial goal | tax revenue |
| inflation | personal financial planning | use of funds |
| liquidity | property tax |  |

1. $A(n)$ $\qquad$ is a security representing ownership in a corporation.
2. $A(n)$ $\qquad$ is an investment instrument issued by a corporation, government, or other organization representing ownership or a debt.
3. $A(n)$ $\qquad$ represents money that is borrowed by a company or government.
4. $\qquad$ is the primary source of government income.
5. $\qquad$ is what you give up by making a choice.
6. Debt security issued by a state or local government is called a(n) $\qquad$ .
7. A rise in the general level of prices is called $\qquad$ .
8. Outflow of money by a company is called a(n) $\qquad$ .
9. $\qquad$ is the inflow of cash that can be used for paying expenses.
10. A state or local tax on goods and services is called $\qquad$ -
11. Any item that serves as a method of payment is considered $\qquad$ .

## THINK CRITICALLY

12. Inflation rates can be deceptive. Many people face hidden inflation since the cost of necessities (food, gas, health care), on which they spend most of their money, may rise at a higher rate than nonessential items which could be dropping in price. Explain how the reported inflation rate could be much lower than the actual cost-of-living increases experienced by consumers.
13. Assessing risk in various financial decision situations is important. Describe what is meant by the following types of risk: a. inflation risk, b. liquidity risk, c. business failure risk, d. global risk.
14. What relationship exists between liquidity and the rate of return on an investment?
15. What actions might a person take to avoid using a check-cashing outlet or a pawnshop?
16. Consumers pay some taxes directly, such as sales tax and income tax. What are some examples of indirect taxes you might pay?

## EXCEL PROBLEMS

Use Excel to solve the problems below and email the spreadsheet as an attachment. MAKE SURE TO USE FORMULAS IN YOUR WORK!
(don't just type the answers)
17. The rate of return on an investment, also called the yield, is the relationship between the yearly (annual) inflow from the investment and the cost of the investment. For example, a $\$ 100$ savings account that earns $\$ 3$ would have a 3 percent yield ( $\$ 3 \div \$ 100$ ). Calculate the yield for the following investments.
a. \$8 dividend on a stock that cost $\$ 160$
b. $\$ 1,000$ rent on land that cost $\$ 10,000$
c. $\$ 74$ interest on a bond that cost $\$ 960$
d. $\$ 5,600$ profit from a business that had a startup cost of $\$ 78,000$
18. Harold Collins made a down payment of $\$ 700$ on a car and will pay $\$ 230$ a month for 48 months. What will be the total cost (including both principal and interest) of the vehicle?
19. The Maxwell Construction Company had $\$ 184,000$ in revenue last year. The company expects its revenue to grow 6 percent a year. What will be the company's revenue two years from now?
20. A city government spends $\$ 228,000$ a month on public services. Of that amount, 43 percent is used for fire and police protection.
a. How much is spent each month for fire and police protection?
b. How much is spent each month for other services?
c. How much is spent in a year for fire and police protection?
21. In a city in which there are 90,000 employed workers, 18,000 are public employees. Of this number, 6,000 are employed by the federal government, 8,000 by the state, and 4,000 by the city.
a. What percent of all workers are public employees?
b. What percent of the public employees are employed by the federal government?
c. What percent of all employees are employees of the state?

