



FINAL EXAM

Course # 171012 Personal Financial Planning for Accountants

based on the electronic .pdf file(s):

Personal Financial Planning for Accountants

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pages



20 CPE Credit Hours
Financial Planning

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Chapter 1 - What You Should Know About Financial Planning Chapter

1. Family financial goals should be
 - Very general in nature.
 - Realistically attainable.
 - Individually determined.
 - Set once for a lifetime.

2. Financial planning can help us to
 - Control inflation.
 - Control costs.
 - Control unemployment rates.
 - Maximize rebates.

3. Financial goals need NOT be
 - Specific.
 - Quantitative.
 - Attainable.
 - Prioritized.

4. The first step in the financial planning process is to
 - Define your current financial situation.
 - Develop a strategy to achieve your goals.
 - Revise your goals.
 - Develop a financial plan.

5. Personal financial planning processes may include all except
 - Determine current financial situation.
 - Eliminate all personal debt.
 - Set goals.
 - Identify alternatives and evaluate alternatives.

6. Which of the following statements is FALSE about financial goals?
 - Goals should be realistic.
 - Financial goals should be specific.
 - Financial goals should not have a time frame.
 - Financial goals should be stated in measurable terms.

7. An unemployment rate of 8 percent would be indicative of

An expansion.

A recession.

A recovery.

A depression.

8. Inflation refers to

Rising prices and cost of living.

Declining interest rates.

The opposite of wealth.

The opposite of stagflation.

9. As the rate of inflation increases,

The cost of living goes down.

Interest rates decrease.

Pay checks decrease.

Retirement plans have more difficulty meeting their goals.

10. Effects of lowering the discount rate by the Federal Reserve can stimulate all except

Cause businesses to borrow and grow.

Stimulate spending.

Decrease rates on mortgages and auto loans.

Decrease retail sales.

11. Financial planning for people over sixty should NOT include

Update their pension plan.

Invest to generate stable income.

Invest for long-term appreciation.

Avoid excessive debt.

12. The least important financial planning for single-adult concerns

Retirement.

Career.

Insurance.

Savings.

13. Martha is 80 years old. She is most likely concerned with

Career.

Taxes.

Estate.

Auto insurance.

Chapter 2 - Basic Time Value Applications

14. You should consider the time value of money as an opportunity cost when you do the following except

Spend money.

Outsource.

Save money.

Get a mortgage loan.

15. Future value tables are used to determine

The amount of a loan.

The premium of an insurance policy.

The compound amount.

The discount amount.

16. If you put \$1,000 in a saving account and make no further deposits, what type of calculation would provide you with the value of the account in 20 years?

Future value of a single amount.

Simple interest.

Present value of a single amount.

Present value of a series of deposits.

17. _____ is a rule of thumb to figure out how long it takes you to double your investment money.

The Rule of 65.

The Rule of 78.

The Rule of 72.

The Rule of Golden Egg.

Chapter 3 - Personal Financial Statements And Budgeting

18. The balance sheet describes a family's wealth

At a certain point in time.

As an annual summary.

As a time period less than one year.

At a future time.

19. The three parts of your balance sheet are

Income, liabilities, balance.

Assets, expenditures, balance.

Assets, liabilities, balance.

Assets, liabilities, net worth.

20. Which of the following is TRUE?

Assets + Liabilities = Equity.

Net worth = Assets – Liabilities.

Net worth = Assets.

Net worth = Assets + Long-term Investments

21. _____ is NOT a deferred asset.

Retirement plans.

Real estate.

Trusts.

Inheritances.

22. An abbreviated personal balance sheet would NOT include

Cash and marketable securities.

Certificates of deposit, bonds.

Taxable income.

Stocks, mutual funds.

23. Liabilities do NOT include

Amounts owed on the mortgage of your house.

Amounts owed for taxes that have not been withheld.

Credit card loans.

Savings bonds owned.

24. A budget is a

Purchase plan.

Spending plan.

Line of credit.

Financial statement.

25. The main purpose of a budget is to

Develop goals.

Develop a financial plan.

Give feedback to the plan.

Help you reach your financial goals.

Chapter 4 - Career Planning And Financial Success

26. _____ is NOT an important occupational motivator.

- Pay and fringe benefits.
- Low interest loans.
- Potential for advancement.
- Recognition.

27. Employee benefits may NOT include

- Fringe benefits.
- Stock option plans.
- Low interest loans.
- Overtime.

28. The cost savings of working at home do NOT include

- No commuting costs.
- No dental, medical or life insurance.
- No child care fees.
- No personal expenses, restaurant lunches.

29. _____ is NOT a website for job hunting.

- www.monster.com.
- www.careerbuilder.com.
- www.careershop.com.
- www.dol.gov.

30. _____ may NOT be an example of college-related costs.

- Tuition.
- Smartphones.
- PCs.
- Books.

Chapter 5 - Planning For Your Children'S College Education

31. Your child wants to go to college for the next 4 years. The annual cost is \$6,000 and will increase at the rate of 8 percent per year. What is the cost of the education?

- \$27,036
- \$24,000
- \$48,000
- \$6,000

32. Top strategies to maximize aid eligibility do NOT include

- Save money in parents' name, not in child's name.
- Spend down student assets and income first.
- Pay off consumer debt, such as credit cards and auto loans.
- Minimize contributions to your retirement plan.

33. To qualify for a Stafford loan, you must

- Demonstrate your assets.
- Have a good credit rating.
- Make satisfactory academic progress.
- Have a part time job.

34. _____ is a non-needed-basis loan.

- Stafford.
- PLUS.
- Perkins.
- MINUS.

35. _____ loans do NOT have to be repaid until after you graduate from college.

- Stafford and Perkins
- Stafford and Plus
- Perkins and Plus
- Plus and Signature Student Loans

36. Federal government programs do NOT include:

- Basic Educational Opportunity Grants
- Family planning grants
- Supplemental Educational Opportunity Grant
- College work-study programs

Chapter 6 - The Return And Riskiness Of Your Investments

37. Holding Period Return (HPR) is

- $(\text{Current Income} / \text{Purchase Price})$
- $(\text{Capital gain or loss}) / (\text{Purchase price})$
- $(\text{Current income} + \text{Capital gain or loss}) / (\text{Purchase price})$
- $\text{Current Income} + \text{Capital Gain (or loss)}$

38. To be successful as an investor, you need an understanding of

- Investment risk and lofty expectations of reward.
- Risk-return tradeoff.
- Speculation.
- Hedging.

39. The returns you would expect from your investments could be

- Risk.
- Current investment value.
- Current income.
- Disposal gains.

40. In deciding your risk tolerance you should NOT consider

- Family status.
- Age.
- Personality.
- Intuition.

41. The investment vehicle with the highest risk and highest rate of return is

- Futures.
- T-bills.
- Savings and CD's.
- Corporate bonds.

42. Security investors incur varying degrees of risk. Business risk is related to

- Price level changes in the economy.
- The debt-to-equity ratio of the firm.
- The potential success or failure of the firm.
- Security price fluctuations.

43. Companies with a great deal of long-term debt would rate fairly high in _____ risk.

- Market.
- Event.
- Business.
- Financial.

44. Risk and return are _____ related.

- Inversely.
- Directly.
- Slightly.
- Oppositely.

45. Beta is a security's volatility compared to an average security. A beta reading of zero (0) means

- The security is twice as risky as the market.
- The security's return is independent of the market.
- The security equals the beta value of the market portfolio.
- The security is half as volatile as the market.

Chapter 7 - Banking And Cash Management

46. Which of the following statements is NOT true about check writing?

- It is very costly to write a bad check.
- It would be a good practice to send out a check, and then make a later deposit to cover it before the check clears.
- Too many bounced checks can have your account closed.
- Too many bounced checks can create a bad credit rating.

47. Which of the following statements is NOT true about a home equity line of credit?

- Easier to get, based on your home's equity and ability to pay.
- The only type of credit line available to most consumers in sizable dollar amounts for long time periods.
- The interest charged is generally higher than on unsecured lines of credit.
- Interest is tax deductible when incurred on a home loan.

48. Commercial banks are insured by the

- Financial Deposit Insurance Association.
- Federal Depositors Assurance Corporation.
- Federal Deposit Insurance Corporation.
- Financial Deposit Insurance Company.

49. The Emergency Economic Stabilization Act of 2008 increased the insurance coverage on all accounts up to _____.

- \$100,000.
- \$200,000.
- \$250,000.
- \$500,000.

50. Banking regulators include all except

- The board of governors of the Federal Reserve System.
- The state senate committee.
- The Federal Deposit Insurance Corporation.
- The office of the controller of the currency.

51. Banking tools (services) do NOT include

- Interest free loans.
- Overdraft protection.
- ATM and debit cards.
- Smart cards.

Chapter 8 - How To Take On And Manage Debt

52. Fair Credit Reporting affects your credit by releasing all the information except

- Where you live and work.
- How you pay your bills.
- Whether you have been sued or arrested.
- Whether you are healthy or sick.

53. The elements of credit do NOT include

- Character (willingness to pay).
- Circumstances (single, married, other).
- Capacity (cash flow).
- Capital (wealth).

54. A FICO Score or credit score that is computer generated and predicts a lenders risk, includes some of the following factors except for

- Payment history.
- Assets and income.
- Outstanding debt.
- Credit history.

55. Most of the information in your credit file may be reported for only _____ years.

- 7.
- 9.
- 11.
- 13.

56. If you have a problem with your creditor, the best solution is to

- File a lawsuit against the creditor.
- Solve your problem directly with the creditor.
- Complain to the Federal Reserve System.
- Complain to the Board of Governors.

57. A good rule of thumb is to limit consumer debt payments to

- 10 percent of your net monthly income.
- 15 percent of your disposable monthly income.

25 percent of your disposable monthly income.

30 percent of your disposable monthly income.

58. Your debt/equity ratio

A. Is dangerous if it is greater than 1.

B. Is acceptable if it stays below 30%.

C. Need not be calculated for consumer loans.

D. Is calculated only for credit card debt.

59. Vantage Score, a credit scoring model, was launched in 2005 by

Equifax.

Dun & Bradstreet.

Value Line.

FICO.

60. The 2005 bankruptcy law

Exempts all of child's education savings.

Exempts all of home equity.

Requires mandatory credit counseling.

Protects a car.

Chapter 9 - How To Determine And Save On The Costs Of Living

61. One of the ways to reduce automotive expenses is to buy a small hybrid car, since it

Uses less gas.

Involves smaller payments.

Involves lower insurance premiums.

Uses a car pool lane.

62. Which of the following is NOT one of the four basic leasing rules:

The term of the lease (usually 24 to 48 months).

The capitalization cost of the car (sales price).

The residual or worth of the car at the end of the term.

The manufacturer's cost.

Chapter 10 - Where And How You Choose To Live

63. _____ is NOT an advantage of owning your own home.

- Pride of ownership
- A sense of stability
- A tax shelter
- Usually owning being more costly than renting

64. Closing costs do NOT include

- Title search and insurance.
- Management and advertising fees.
- Lender's review fees and buyers loan points.
- Reappraisal fees and credit report.

65. Which of the following is false about an adjustable rate mortgage (ARM)?

- Monthly payments can go up if interest rates rise.
- There is always a prepayment penalty.
- Negative amortization can occur (monthly payment does not cover interest cost).
- Initial interest rates last only until first adjustment.

Chapter 11 - Life, Health, And Property And Liability Insurance

66. _____ is NOT one of the most common risks a consumer must address.

- Personal risks.
- Systematic risks.
- Property risks.
- Liability risks.

67. The features of term insurance can include all except

- Your dependents get dividends and interest if you serve the term.
- Protection for a specific period of time.
- Low initial premium.
- May be renewable and or convertible.

68. Aspects of whole-life insurance do not include

- Protection for life.
- Fixed premiums.
- Growing cash value.
- Lower initial premium than term.

69. _____ is NOT professional designation that life insurance agents may earn.

- Chartered Life Underwriter (CLU).
- Certified Life Planner (CLP).

Life Underwriter Training Council Fellow (LUTCF).

Chartered Financial Consultant (ChFC).

70. A ratings guide to the financial stability of the nation's insurers is published by

Dow Jones & Company.

Standard & Poor's.

Moody's Rating Service.

A. M. Best Company.

71. The fastest growing segment of the health care industry is

Fee for service plans.

Medicaid.

Managed care plans.

Medicare.

72. When you have to file a homeowner's claim you should NOT

Report any theft or vandalism to the police.

Immediately call your insurance agent.

Protect your property from further damage.

Settle for the first offer made without a policy review.

73. A HO-1 policy covers damage from property damage perils except

Fire.

Windstorms.

Earthquakes.

Vandalism.

74. _____ is another insurance credit scoring company along with FICO.

Smartmoney.

ChoicePoint.

CheckPoint.

GEICO.

Chapter 12 - What You Should Know About Investments And Planning

75. Before getting started as an investor you should do all of the following except

Evaluate your present financial condition.

Consider your income.

Invest your disposable income (prior to paying bills).

Review future prospects for higher earnings.

76. Sources of financing your investment choices do NOT include

Discretionary income.

Funds owed to the IRS.

Home equity.

Life insurance.

77. An asset that is considered both highly marketable and highly liquid is

Short-term U.S. government securities.

Real estate.

Common stock.

Long-term U.S. government securities.

78. Buying on margin is buying

At the lowest price.

At the market price.

With borrowed funds.

By trading currently-owned stock.

79. _____ is NOT an investment at risk with changing interest rates

Notes.

Gold and silver.

Mortgages.

Stocks.

80. Investments NOT vulnerable to a changing economy are

Bonds.

Stocks.

Mortgages.

CDs.

Chapter 13 - Should You Invest In Common Stock?

81. Corporate ownership is evidenced by

Preferred stock.

Common stock.

Bonds.

Capital gain.

82. Types of stock can NOT include

Blue chip stocks.

Miter stocks.

Growth stocks.

Income stocks.

83. _____ is NOT the type of orders you may place for stock transactions

Out-of-orders.

Market orders.

Open orders.

Day orders.

84. What is your return on a stock if you buy a stock for \$30 and sell it for \$36, and the annual cash dividend is \$2. Your return per share is

\$6.

\$2.

\$8.

\$12.

85. If you invested \$80 in a stock which you sold 3 months later for \$100 and a \$2 dividend was received, then the quarterly return is _____.

27.5%

25%.

2.5%.

22%.

86. Patsy Banz owns 220 shares of General Mills Corporation. For the last calendar quarter, General Mills Corporation paid \$0.47 a share. What is the total amount she received in her dividend check for this quarter?

\$0.47.

\$47.

\$94.

\$103.40.

87. Price-earnings ratio is NOT affected by

Growth rate of earnings.

Size of the firm.

Cash flow from operations.

Expected dividends.

88. _____ is NOT a rule of thumb used for stock valuation.

Present value ratio.

Price-earnings ratio.

Price-free cash flow ratio.

Price-sales ratio.

89. Market risk is often measured using

The price/earnings ratio.

The dividend yield.

Alpha.

Beta.

90. Good monetary indicators include

Dow Jones 20-Bond Index.

CPI.

Volatility index

Goldman Sachs index

Chapter 14 - Should You Invest In Fixed-Income Securities?

91. Examples of fixed income securities do NOT include

Corporate bonds.

Silver certificates.

Government bonds.

Municipal bonds.

92. Bonds have the following advantages except for

Fixed interest income each year.

Safer than equity securities.

Safer than common stock.

There are no voting rights.

93. Types of bonds do NOT include

Mortgage bonds.

Debentures.

Classified mint bonds.

Convertible bonds.

94. _____ is NOT one of basic factors to consider in selecting a bond

Length of maturity.

Features (call or conversion).

Tax status.

Treasury bill markings.

95. If a bond is purchased at a price above the face value, the yield to maturity is

- Greater than the stated interest rate.
- The same as the stated interest rate.
- Less than the stated interest rate.
- Is zero.

96. John Smith is in the 28 percent tax bracket. If he were to purchase a \$1,000 municipal bond that had a stated interest rate of 6.9%, the taxable equivalent yield would be

- 6.90%.
- 8.261%.
- 9.583%.
- 12.105%.

97. Preferred stock, like a corporate bond, has the following features except that

- It provides prior claims on earnings and assets.
- Its dividend is fixed for the life of the issue.
- It can carry call and convertible features.
- It pays interest.

98. Other fixed income securities, often called short-term parking lots, include

- Certificates of deposit.
- Income bond.
- Treasury bond.
- Hedge fund.

Chapter 15 - Investing In Tangibles: Real Estate And Other Real Assets

99. Which of the following statements is FALSE about real estate investing?

- It provides some tax shelters to many investors.
- It is a good hedge against inflation because property values and the income from properties rise to keep pace with inflation.
- It can help can maximize return with other people's money (OPM).
- You may find less personal satisfaction in owning property than stock certificates.

100. Limited partnerships have the following disadvantages except for

- IRS rulings disallow certain real estate losses.
- Tax deductible expenses.
- High management charges and costs.
- High risk.

101. Before investing in Real Estate Investment Trusts (REITs) you must consider all the following

EXCEPT

- Prior owners.
- Profitability.
- Annual cash flow.
- Condition of property.

102. When choosing a REIT you should NOT consider

- Profitability.
- Annual cash flow.
- Pride of ownership.
- Condition of properties.

103. Federal law requires REITs to

- Distribute at least 95 percent of their earnings to shareholders.
- Engage in short-term holdings of real estate.
- Register with the u.s. department of housing & Urban development.
- Reinvest at least 50 percent of their income in rental properties.

104. One of the possible advantages of investing in a real estate limited partnership is that you

- Don't have to worry about capital gains tax.
- Don't have to pay federal income tax.
- Don't have to pay state income tax.
- Gain entry to a shopping center or large building by investing a small amount of money.

105. What type of REIT is the safest?

- Equity.
- Mortgage.
- Hybrid.
- Unit trust.

106. Mortgage backed securities do NOT include

- Sally-bills.
- Ginnie Mae.
- Freddie Macs.
- Fannie Mae.

107. Investments in tangible assets such as gold and silver offer the following benefits

- A hedge against inflation.
- Collection piece.
- Stability.
- May only be bought in bullions.

Chapter 16 - Mutual Funds And Diversification

108. A mutual fund has \$10 million in assets and \$1 million in liabilities. There are 400,000 fund shares outstanding. What is the net asset value (NAV) of this fund?

\$25.00

\$22.50

\$12.50

\$11.25

109. Mutual fund investing is characterized by all except

Diversification.

Large minimum investments.

Automatic reinvestment.

Automatic withdrawal.

110. The value of the mutual fund's portfolio minus the mutual fund's liabilities divided by the number of shares outstanding is called the

Book value.

Outstanding balance.

Per share value.

Net asset value.

111. Another name for a mutual fund is

A closed-end investment company.

An open-end investment company.

A mutual investment company.

An open investment company.

112. Redeeming your mutual fund shares might result in a charge called a

A back-end load.

A front-end load.

A redemption tax.

A management fee.

113. A no-load fund has no

Transaction (sales) fees.

Administrative charges.

Management charges.

Tax charges.

114. Mutual funds may NOT include

- Estate funds.
- Money market funds.
- Growth funds.
- Aggressive growth funds.

115. In picking a "muni" (municipal) fund you should NOT consider

- Portfolio composition.
- Credit quality.
- Duration.
- Pro-rata.

116. Proven risk-reducing strategies for making money in mutual funds do NOT include

- Shoot for low-cost funds.
- Build a well-balanced, diversified portfolio.
- Keep all your investments in one secure fund.
- Use the dollar-cost average method.

Chapter 17 - How To Have Enough Money In Your Pension Plan When You Retire

117. _____ is NOT an excellent investment vehicle for retirement planning.

- Limited partnerships.
- Social security.
- Individual Retirement Accounts (IRAs).
- Annuities.

118. Which one of the following is the most widely used source of retirement income?

- IRAs.
- Keogh plans.
- Social security.
- Company pension plans.

119. The first step in retirement planning is to

- Determine how large a nest egg is required.
- Set retirement needs.
- Define your investment program.
- Determine your income-earning assets.

120. Ideally, retirement planning should begin

- During the year before retirement.

- When the last child has left home.
- As soon as the mortgage is paid off.
- As soon as possible.

121. An individual retirement account is an example of a(n) _____ asset.

- Liquid.
- Common.
- Investment.
- Household.

122. _____ is an option for retirement planning.

- Conventional mortgage.
- Reverse mortgage.
- No-doc mortgage.
- Interest-only loan.

Chapter 18 - Estate Planning: Preserving Your Estate

123. The primary purpose of estate planning is to

- Avoid excessive taxation.
- Distribute your assets according to your wishes after your death.
- Plan for retirement.
- Maximize inheritances.

124. Estate planning involves

- Considering how your wealth can be most effectively passed on to heirs.
- Dissolution of all privately held corporations.
- Valuation and auctioning of your valuables.
- Planning retirements.

125. A will is a legal document outlining the plan for

- Your funeral.
- Disposition of your assets.
- Management of your assets.
- Survivor's goals.

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