Name: _____   Date: _____

Chapter 5 Test

For #1 to #6, select the best answer.

1. What is an advantage of most savings accounts?
   A low interest rates
   B investment earnings
   C not taxable
   D secure savings

2. What is a disadvantage of most credit cards?
   A difficult to get
   B difficult to use
   C grace period too long
   D high interest rates

3. Which is the least risky investment?
   A GICs
   B mutual funds
   C real estate
   D stocks and bonds

4. What is the future value of $2000 invested at 3% for 2 years with simple interest?
   A $60
   B $2060
   C $2120
   D $2600

5. What type of interest is charged on most credit cards?
   A complex interest
   B compound interest
   C investment interest
   D simple interest

6. Mia invests $4000 at 5% with interest compounded annually. What is the value of the investment after 10 years?
   A $4050.00
   B $6515.58
   C $6617.47
   D $6758.23

7. State the value of *i* (interest rate earned per compounding period) and *n* (number of compounding periods) for the following compound interest problems.
   a) $1000 invested at 3% for 5 years with interest compounded semi-annually
   b) $5000 invested at 3% for 5 years with interest compounded monthly

8. Use the compound interest formula to determine the future value of each investment in #7.

9. Andrea has a total of $12 000 in credit card debt. The card charges 29% interest compounded monthly. Andrea agrees to pay back $500 per month and not use the credit card. How long will it take her to pay off the debt?

Name: _____   Date: _____

10. Bob is making a monthly budget to save for college.

Income	
Oct 15 pay	$455.36
Oct 30 pay	$590.09
Expenses	
Car costs	$250.00
Gym	$60.00
Spending money	$150.00
Clothes	$95.00
Cell phone	$80.00

a) What is Bob's total income?
b) What are his total expenses?
c) How much can Bob save for his college fund each month?
d) Suppose Bob decides to save even more money. What could Bob do to increase his savings? Explain your thinking. Revise his budget accordingly. List one pro and one con of your strategy.

11. Yee is considering whether to buy a car so that he can get a job while he attends college. What factors should he consider in his decision? Describe a process Yee could use to decide if buying a car is the best option.