FIN 230-01   Name _____
Fall 2010
Quiz II
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Section I: Multiple Choice (1 point each) Choose the one best answer from the choices provided and place the letter corresponding to that answer in the space provided to the left of the question number.

_____ 1. The term apreciation refers to
           a. an asset gaining value over time.
           b. an asset losing value over time.
           c. an asset's value fluctuating over time.
           d. an increase in net worth.

_____   2. Approximately how long will it take an amount in a savings account
            to double, assuming annual compounding and retention of interest,
            at an interest rate of 8%?
            a. 12.5 years.
            b. 9 years.
            c. 10 years.
            d. It will never double.

_____   3. Which of the following **_is NOT a necessary_** step in financial
            planning?
            a. Identifying your financial goals.
            b. Canceling all of your credit cards.
            c. Identifying alternative plans of action.
            d. All of the above **are** necessary steps to financial planning.

_____   4. Which of the following is true of the job interview process?
            a. Don't be afraid to say bad things about previous jobs or
               employers, interviewers like honesty.
            b. Make eye contact and ask questions about the company.
            c. Don't ask questions about the people you will be working with,
               interviewers don't want to hire a "social butterfly".
            d. All of the above are true in job interviews.

_____   5. What is the link between education and career?
            a. Earnings increase and unemployment rates decrease as education
               level goes up.
            b. Earnings increase but unemployment rates aren't impacted as
               education level goes up.
            c. College graduates actually earn less than high-school graduates
               because they lose 4 to 5 years in the work force.
            d. There is no relationship between education and earnings or
               unemployment.

Section II Short Answer/Essay   Use the information provided to completely answer the following questions.   Points as indicated.

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1. Use the time value of money tables to make the following calculations. **(12 points)**

   a) Grandma Simpson deposits $3,500 into a savings account. If she makes no more deposits or withdrawals (assume compounding of interest) and the interest rate is 9%, how much will her account balance be in 12 years?

   b) How much is $450,000 that you are entitled to receive 128 years from now worth today if the interest rate is 6%?

   c) You deposit $4,000 into your money market account (it's a type of bank account) every year. Assume the interest rate is 8%, you make no withdrawals and the interest compounds, how much money will you have in 13 years?

   d) Earl won the lottery and can receive payments of $500,000 per year for the next 20 years. If the interest rate is 7%, what one time "lump sum" payment (made today) would give Earl the same ultimate value?

   e) When Tony retires he wants to have enough money saved up to be able to withdraw $20,000 per year for 15 years. During the 15 years he is retired the interest rate will be 9%. Tony wants to retire 20 years from now. If the interest rate for the next 20 years is going to be 5%, how much will he have to save each year to meet his retirement goal?

2. Briefly answer the following questions regarding the job seeking
   process. **(2 points each)**

   **List two pieces of information that can be found in "The
   Occupational Outlook Handbook" that we looked through and discussed
   in class.**

   **Why do prospective employers ask "Where do you see yourself in 5
   years?" during a job interview?**

   What is the difference between aptitude and interests?