Name: ________________________ Class: ___________________ Date: __________ ID: A

Final Practice

True/False
Indicate whether the statement is true or false.

____ 1. Roxanne placed a limit order. This means she specified the price that she would pay for a stock. If the stock does not fall to that price, then the stocks are not purchased.

____ 2. Annual percent yield is higher than the annual percentage rate because APY takes into account the additional interest earned by compounding.

____ 3. A car traveling at an average rate of 60 miles per hour will drive 270 miles in $4\frac{1}{2}$ hours.

____ 4. Sarah bought a 7-year old car for $10,500. When the car was new, it sold for $21,000. Therefore, the depreciation rate is 9.4%.

____ 5. Yolanda wants to buy a fuel efficient car. She finds one that can travel 465 miles on one tank of gas. If the gas tank holds 15 gallons, the car gets about 41 miles per gallon.

____ 6. An income tax filer who is single or married filing jointly, with no dependents and income less than $100,000, may be able to file a 1040EZ form.

____ 7. An exemption is an allowable amount that reduces a person's taxable income. Examples of an exemption are the taxpayer themselves and their dependents.

____ 8. Social Security benefits are need-based and are not based on your earnings over your working lifetime.

____ 9. Lauri worked full-time at a health club last year earning $23,000. Last year, $1,090 in earnings was needed for one Social Security credit. Lauri earned 4 credits for the year.

____ 10. Cecile is 23 years old and wants to retire when she is 55. She opens up a retirement account and makes a $400 deposit each month. If the account pays 2.75% interest compounded monthly, she will have about $245,842.67 in her account when she is 55.

Multiple Choice
Identify the choice that best completes the statement or answers the question.

____ 11. A stock that was selling for $48 a share split 2-for-1. Before the split, the company had 3.4 million shares of stock outstanding. What is the post-split number of shares outstanding?
a. 10.2 million
b. 6.8 million
c. 2.4 million
d. 1.7 million

____ 12. Steve and Elizabeth decide to become partners in a children's cooking school. They need $80,000 for the franchise. They invest in a 3:4 ratio, respectively. About what percent of the business is owned by Elizabeth?
a. 34%
b. 43%
c. 57%
d. 80%

Name: ________________________ **ID: A**

____ 13. Loretta deposits \$350 every quarter into a savings account that earns 4.5% interest compounded quarterly. What is the balance after 7 years?

a. \$10,312.63
b. \$11,344.18
c. \$11,444.27
d. \$12,477.74

____ 14. Bob and Kathy want to save a total of \$500,000 for retirement. How much should they deposit monthly into an account that pays 3.9% interest, compounded monthly, to meet their goal in 24 years?

a. \$950.41
b. \$1,051.17
c. \$2,102.34
d. \$4,446.41

____ 15. Use the 2006 tax schedule for married taxpayers filing jointly below. What equation represents the taxable income in the interval over \$123,700 but not over \$188,450?

2006 Tax Rate Schedule

Schedule Y-1— If your filing status is Married filing jointly or Qualifying widow(er)

If your taxable income is: Over—	But not over—	The tax is:	of the amount over—
\$0	\$15,100	--------- 10%	\$0
15,100	61,300	\$1,510.00 + 15%	15,100
61,300	123,700	8,440.00 + 25%	61,300
123,700	188,450	24,040.00 + 28%	123,700
188,450	336,550	42,170.00 + 33%	188,450
336,550	---------	91,043.00 + 35%	336,550

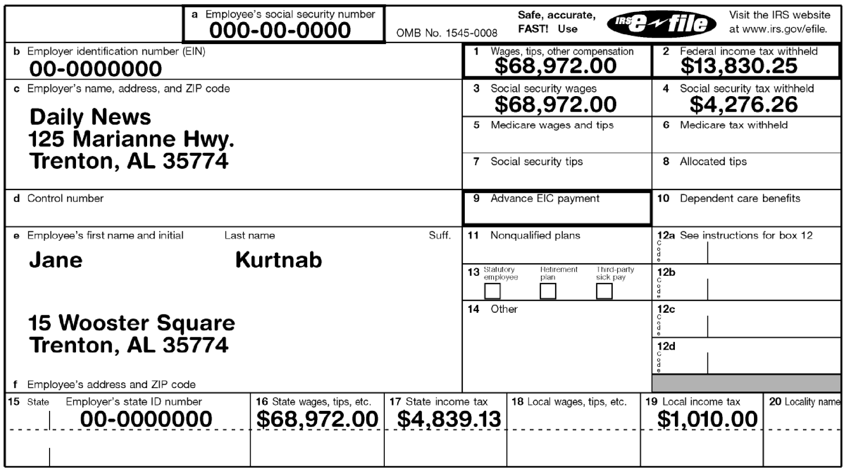
a. $y = 0.28x - 10{,}596$
b. $y = 0.28x + 10{,}596$
c. $y = 0.25x - 10{,}596$
d. $y = 0.25x + 10{,}596$

____ 16. John and Loretta Smith are in the 28% tax bracket. Their joint taxable income is \$134,899. If the first \$16,050 is taxed at 10%, with the remainder at 28%, how much tax will they owe?

a. \$29,371.72
b. \$30,271.75
c. \$34,882.72
d. \$38,724.75

Name: ________________________ **ID: A**

____ 17. Look at the W-2 below. What is the total amount of federal, state, and local taxes that were withheld?



a Employee's social security number 000-00-0000
OMB No. 1545-0008
Safe, accurate, FAST! Use e-file
Visit the IRS website at www.irs.gov/efile.
b Employer identification number (EIN) 00-0000000
1 Wages, tips, other compensation $68,972.00
2 Federal income tax withheld $13,830.25
c Employer's name, address, and ZIP code
Daily News
125 Marianne Hwy.
Trenton, AL 35774
3 Social security wages $68,972.00
4 Social security tax withheld $4,276.26
5 Medicare wages and tips
6 Medicare tax withheld
7 Social security tips
8 Allocated tips
d Control number
9 Advance EIC payment
10 Dependent care benefits
e Employee's first name and initial Jane
Last name Kurtnab
Suff.
11 Nonqualified plans
12a See instructions for box 12
13 Statutory employee / Retirement plan / Third-party sick pay
12b
14 Other
12c
12d
15 Sharp Trenton, AL 35774
15 Wooster Square
Trenton, AL 35774
f Employee's address and ZIP code
15 State / Employer's state ID number 00-0000000
16 State wages, tips, etc. $68,972.00
17 State income tax $4,839.13
18 Local wages, tips, etc.
19 Local income tax $1,010.00
20 Locality name

a. $13,830.25
b. $18,669.38
c. $19,679.38
d. $23,955.64

____ 18. Which statement is NOT true about the differences between the income on a W-2 and that on a 1099 form?
a. 1099 income is untaxed where the income on a W-2 is already taxed.
b. A 1099 form is for income other than wages.
c. The income on a 1099 is money from interest, royalties, rents, and more.
d. The 1099 income is not reported to the IRS while the W-2 income is reported.

____ 19. Jack's full Social Security retirement benefit is $1,890. He started collecting Social Security benefits at age 65, so his benefits are reduced by about 13.3%. What will his monthly benefit be?
a. $1,638.63
b. $1,683.80
c. $1,784.60
d. $1,864,86

____ 20. An insurance company uses the mortality table below to calculate their risk when writing life insurance policies.

Age at Death (females)	60	61	62	63
Mortality Rate	0.007445	0.08187	0.08959	0.09747

Based on the table, what is the probability as a percent that a 63-year old woman will live to see her 64th birthday?
a. 97.47%
b. 92.53%
c. 90.53%
d. 90.253%

Short Answer

21. Mrs. Thomas owns 1,500 shares of a corporation that pays a quarterly dividend of $0.36 a share. How much in dividends did she receive last year?

22. Houng deposits $2,000 into an account that earns 4.2% interest compounded daily. What is the annual percentage yield (APY) to the nearest hundredth of a percent?

23. Tyrone opens an account at the local bank by depositing \$50 of his birthday money. He continues to deposit \$50 each month for 5 years. If the account pays $3\frac{1}{4}\%$ interest compounded monthly, how much is in the account after 5 years?

24. Edward wants to have \$50,000 in 10 years for college. What single deposit would he need to make now into an account that pays 4.3% interest, compounded daily, to meet his goal?

25. Ron and Annie have \$1,239.45 in their checking account. During the week Annie goes to an ATM and withdraws \$80. The following week Ron deposits his paycheck of \$689.65. Annie then pays bills online in the amounts of: \$212.80, \$55, \$49.76, and \$110.35. What is the current balance in their checking account?

26. Aaron just bought a used car from his cousin for \$3,500. When he changes the title and gets license plates, he is required to pay sales tax on the purchase price of the car. If the sales tax rate is $6\frac{1}{4}\%$, how much sales tax does he pay?

27. What is the difference between a tax credit and a tax deduction?

28. Maria and Juan are married, filing jointly. Their taxable income is \$154,849. Use the table below to write an equation to determine their tax. Then calculate their tax.

Schedule Y-1— If your filing status is Married filing jointly or Qualifying widow(er)

If your taxable income is: Over—	But not over—	The tax is:	of the amount over—
\$0	\$16,050	--------- 10%	\$0
16,050	65,100	\$1,605.00 + 15%	16,050
65,100	131,450	8,962.50 + 25%	65,100
131,450	200,300	25,550.00 + 28%	131,450
200,300	357,700	44,828.00 + 33%	200,300
357,700	---------	96,770.00 + 35%	357,700

29. What word is synonymous for take-home pay?

30. Mr. Casem is preparing to retire after 31 years with his company. He set up this spreadsheet to calculate his pension which is based on his most recent three year average salary, number of years of service, and a 2% multiplier.

	A	B	C	D
1	Year	Salary	Three year Average Salary	**a.**
2	1999	49,500	Percentage Multiplier	2.0
3	2000	52,000	Years of Service	31
4	2001	53,000	Annual Pension Benefit	**b.**

What are the formulas for cells D1 and D4? What are the resulting values?

Final Practice
Answer Section

TRUE/FALSE

1. ANS: T PTS: 1
2. ANS: T PTS: 1
3. ANS: T
$60 \times 4.5 = 270$

PTS: 1
4. ANS: T
$1 - \left(\frac{10,500}{21,000}\right)^{\frac{1}{7}} \approx 0.94$ or 9.4%

PTS: 1
5. ANS: F
$465 \div 15 = 31$

PTS: 1
6. ANS: T PTS: 1
7. ANS: T PTS: 1
8. ANS: F
Social Security benefits are based on earnings.

PTS: 1
9. ANS: T
There is a maximum of 4 credits allowed per year.

PTS: 1
10. ANS: T
Use the formula for future value of a periodic investment.

PTS: 1

MULTIPLE CHOICE

11. ANS: B
3.4 million $\times$ 2 = 6.8 million

PTS: 1

12. ANS: C

$$\frac{x}{80,000} = \frac{4}{7}\text{ ; } 7x = 320,000;\ x = 45,714$$

$$\frac{45,714}{80,000} \approx 57\%$$

PTS: 1

13. ANS: C

$$B = \frac{P\left(\left(1+\frac{r}{n}\right)^{nt}-1\right)}{\frac{r}{n}} = \frac{350\left(\left(1+\frac{0.045}{4}\right)^{4(7)}-1\right)}{\frac{0.045}{4}} \approx \$11,444.27$$

PTS: 1

14. ANS: B

$$P = \frac{B\times\frac{r}{n}}{\left(1+\frac{r}{n}\right)^{nt}-1} = \frac{500000\times\frac{0.039}{12}}{\left(1+\frac{0.039}{12}\right)^{12(24)}-1} \approx \$1,051.17$$

PTS: 1

15. ANS: A

y = 24,040 + 0.28(x –123,700)

24,040 + 0.28x – 34,636 = 0.28x – 10,596

PTS: 1

16. ANS: C

(16,050 × 0.1) + 0.28(134,899 – 16,050) = 1,605 + 33,277.72 = $34,882.72

PTS: 1

17. ANS: C

13,830.25 + 4,839.13 + 1,010.00 = $19,679.38

PTS: 1

18. ANS: D PTS: 1

19. ANS: A

$1,638.63; 1890 - (0.133 × 1890) = $1,638.63

PTS: 1

20. ANS: D

90.253%; 1 - 0.09747 = 0.90253 or 90.253%

PTS: 1

SHORT ANSWER

21. ANS:
$2,160;
$1,500 \times 0.36 = 540; 540 \times 4 = 2,160$

PTS: 1

22. ANS:
$$APY = \left(1 + \frac{r}{n}\right)^{n} - 1 = \left(1 + \frac{0.042}{365}\right)^{365} - 1 \approx 4.29\%$$

PTS: 1

23. ANS:
$$B = \frac{P\left(\left(1 + \frac{r}{n}\right)^{nt} - 1\right)}{\frac{r}{n}} = \frac{50\left(\left(1 + \frac{0.0325}{12}\right)^{12(5)} - 1\right)}{\frac{0.0325}{12}} \approx \$3,252.74$$

PTS: 1

24. ANS:
$32,526.28; $P = \frac{B}{\left(1 + \frac{r}{n}\right)^{nt}} = \frac{50,000}{\left(1 + \frac{0.043}{365}\right)^{365(10)}} \approx \$32,526.28$

PTS: 1

25. ANS:
$1,421.19; 1,239.45 + 689.65 = 1,929.10;
1,929.10 – 212.80 – 55 – 49.76 – 110.35 – 80 = $1,421.19

PTS: 1

26. ANS:
$218.75; 3,500 × 0.0625 = 218.75

PTS: 1

27. ANS:
Tax credits are subtracted from your tax after you look up the tax owed on a tax table. Deductions are subtracted from your taxable income before you look up the tax you owe on a tax table.

PTS: 1

28. ANS:
$\$32,101.72; 25,550.00 + 0.28(154,849 - 131,450) = \$32,101.72$

PTS: 1

29. ANS:
net pay

PTS: 1

30. ANS:
a. =average(B2:B4) will be $51,500.
b. =(D1*D2/100*D3) will be $31,930.

PTS: 1

Final Practice [Answer Strip] **ID: A**

T 1.

T 2.

T 3.

T 4.

F 5.

T 6.

T 7.

F 8.

T 9.

T 10.

B 11.

C 12.

C 13.

B 14.

A 15.

C 16.

C 17.

D 18.

A 19.

D 20.