

Exam: 060322RR - Business and Finance Basics II

When you have completed your exam and reviewed your answers, click **Submit Exam**. Answers will not be recorded until you hit **Submit Exam**. If you need to exit before completing the exam, click **Cancel Exam**.

Questions 1 to 25: Select the best answer to each question. Note that a question and its answers may be split across a page break, so be sure that you have seen the *entire* question and *all* the answers before choosing an answer.

1. Depreciation expense is located on the

- A.** balance sheet.
- B.** income statement.
- C.** the accounts receivable documentation.
- D.** the accounts payable documentation.

2. Joe Sullivan invests \$9,000 at the end of each year for 20 years. The rate of interest Joe gets is 8% annually. Using the tables in the *Business Math Handbook* that accompanies the course textbook, determine the final value of Joe's investment at the end of the 20th year on this ordinary annuity.

- A.** \$411,588.00
- B.** \$411,858.00
- C.** \$88,632.90
- D.** \$88,362.90

3. In calculating the daily balance, cash advances are

- A.** sometimes added in.
- B.** always subtracted out.
- C.** always added in.
- D.** sometimes subtracted out.

4. Ted Williams made deposits of \$500 at the end of each year for eight years. The rate is 8% compounded annually. Using the tables in the *Business Math Handbook* that accompanies the course textbook, calculate the value of Ted's annuity at the end of eight years.

- A.** \$2,873.30
- B.** \$5,318.30
- C.** \$4,318.30
- D.** \$2,837.03

5. Megan Mei is charged 2 points on a \$120,000 loan at the time of closing. The original price of the home before the down payment was \$140,000. How much do the points in dollars cost Megan?

- A. \$4,200
- B. \$2,400
- C. \$8,200
- D. \$2,800

6. A truck costs \$35,000 with a residual value of \$2,000. Its service life is five years. Using the declining-balance method at twice the straight-line rate, the book value at the end of year 2 is

- A. \$35,000.
- B. \$33,000.
- C. \$22,000.
- D. \$12,600.

7. Use the following information to answer the question:

Cost of car: \$26,000

Residual value: \$6,000

Life: 5 years

Using the given information, determine the depreciation expense for the first year straight-line method?

- A. \$4,400
- B. \$6,000
- C. \$4,000
- D. \$5,200

8. Dan Miller bought a new Toyota truck for \$28,000. Dan made a down payment of \$6,000 and paid \$390 monthly for 70 months. What is the total finance charge?

- A. \$5,300
- B. \$27,300
- C. \$11,300
- D. \$13,300

9. A truck costs \$16,000 with a residual value of \$1,000. It has an estimated useful life of five years. If the truck was bought on July 3, what would be the book value at the end of year 1 using straight-line rate?

- A. \$16,000
- B. \$1,500
- C. \$14,500

D. \$12,500

10. Dick Hercher bought a home in Homewood, Illinois, for \$230,000. He put down 20% and obtained a mortgage for 25 years at 8%. What is the total interest cost of the loan?

A. \$184,000.00

B. \$242,144.00

C. \$242,411.00

D. \$327,372.80

11. Connie made deposits of \$2000 at the beginning of each year for four years. The rate she earned is 5% annually. What is the value of Connie's account in four years?

A. \$9,051.20

B. \$8,260.00

C. \$8,260.20

D. \$11,051.00

12. Ben Brown bought a home for \$225,000. He put down 20%. The mortgage is at $6\frac{1}{2}\%$ for 30 years. Using the tables in the *Business Math Handbook* that accompanies the course textbook, determine his monthly payment.

A. \$1,319.40

B. \$1,216.80

C. \$1,139.40

D. \$1,319.04

13. Use the following information and the tables in the *Business Math Handbook* that accompanies the course textbook to answer the question.

\$140.10 per month

Cash price: \$5,600

Down payment: \$0

Cash or trade months with bank-approved credit; amount financed: \$5,600

Finance charge: \$2,806

Total payments: \$8,406

What is the APR by table lookup?

A. 17.00%–17.25%

B. 16.75%–17.00%

C. 17.25%–17.50%

D. 16.50%–16.75%

14. Jay Corporation has earned \$175,900 after tax. The accountant calculated the return on equity as 12.5%. Jay Corporation's stockholders' equity to the nearest dollar is

- A.** \$140,720.
- B.** \$14,720.
- C.** \$140,720,000.

D. \$1,407,200.

15. Depreciation expense in the declining-balance method is calculated by the depreciation rate

- A.** times book value at beginning of year.
- B.** times accumulated depreciation at year end.
- C.** plus book value at end of year.
- D.** divided by book value at beginning of year.

16. Jen purchased a condo in Naples, Florida, for \$699,000. She put 20% down and financed the rest at 5% for 35 years. What are Jen's total finance charges?

- A.** \$600,000.00
- B.** \$606,823.20
- C.** \$457,425.60
- D.** \$626,863.20

17. What is a *sinking fund*?

- A.** It doesn't compound its money.
- B.** It aids in meeting a future obligation.
- C.** It requires one lump sum payment at the beginning.
- D.** It's not really an annuity.

18. When are annuity due payments made?

- A.** Yearly
- B.** At the end of the period
- C.** At the beginning of the period
- D.** Monthly

19. At the beginning of each year, Bill Ross invests \$1,400 semiannually at 8% for nine years. Using the tables in the *Business Math Handbook* that accompanies the course textbook, determine the cash value of the annuity due at the end of the ninth year.

- A.** \$37,399.68
- B.** \$38,739.68

C. \$37,939.86

D. \$37,339.68

20. What does an amortization schedule show?

A. The increase in loan outstanding

B. The portion of payment broken down to interest and principal

C. The balance of interest outstanding

D. The increase to principal

21. Federal Express bought material handling equipment for its hub operations that cost \$180,000. Using the MACRS, what is the depreciation expense in year 3 (using a five-year class)?

A. \$43,560

B. \$34,560

C. \$15,360

D. \$40,000

22. Graduated payments result in the borrower paying

A. more at the beginning of the mortgage.

B. less at the end of the mortgage.

C. the mortgage at $\frac{1}{2}$ the standard rate.

D. less at the beginning of the mortgage.

23. The average daily balance is equal to the sum of daily balances

A. divided by number of days in billing cycle.

B. multiplied by number of days in billing cycle.

C. minus number of days in billing cycle.

D. plus number of days in billing cycle.

24. At the beginning of each year for 14 years, Sherry Kardell invested \$400 that earns 10% annually. What is the future value of Sherry's account in 14 years?

A. \$12,309

B. \$13,100

C. \$12,709

D. \$14,000

25. Lee Company has a current ratio of 2.65. The acid test ratio is 2.01. The current liabilities of Lee are \$45,000. Assuming there are no prepaid expenses, the dollar amount of merchandise inventory is

A. \$90,450.

B. \$28,800.

C. \$28,008.

D. \$90,540.

End of exam