**FOM 11 Practice Test**

**Finances 🡪 Investments and Loans**

Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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| **Learning Goal** | **Beginning** | **Developing** | **Proficient** | **Sophisticated** |
| **I can calculate investment gains and investment portfolios** |  |  |  |  |
| **I can calculate loans and mortgages** |  |  |  |  |

**Learning Goal #1: I can calculate simple and compound interest**

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| **Developing (2)** |
| Fran invests $10,000 at 3.95% per annum for 18 months. Calculate the simple interest on Fran’s investment and the value of Fran’s investment after the 18 months. Do NOT use your TVM calculator (please show formula and use a regular calculator). | Jack has invested $5000 in a 20 year Mutual Fund, compounded semi-annually at a rate of 4.7% per annum. Determine the interest earned at the end of the 20 year period. Do NOT use your TVM calculator (please show formula and use a regular calculator). |

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| **Proficient (3)** |
| You have invested $3324.00 from your summer earnings into a 5 year Canadian Savings Bond. It is compounded annually at a rate of 2.55% per annum. Determine the value of the investment at the end of the term. Use your TVM Solver. Show what values you would add to the various parts below (not everything needs to be filled, only what is necessary for this scenario):

|  |  |  |
| --- | --- | --- |
|  | ***Value*** | ***Type*** |
| Present Value |  |  |
| Payment |  |
| Future Value |  |
| Annual Rate % |  |  |
| Periods |  |  |
| Compounding |  |  |
| Mode |  |  |

 | You have a part time job and are going to put away $250 each month in order to save up for a car. Your savings account has a monthly compounding interest rate of 3.0% per annum. The car you want will cost $5000. How many months will you need to save in order to have enough to purchase your new vehicle? Use your TVM Solver. Show what values you would add to the various parts below (not everything needs to be filled, only what is necessary for this scenario):

|  |  |  |
| --- | --- | --- |
|  | ***Value*** | ***Type*** |
| Present Value |  |  |
| Payment |  |
| Future Value |  |
| Annual Rate % |  |  |
| Periods |  |  |
| Compounding |  |  |
| Mode |  |  |

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| **Sophisticated (4)** |
| On January 1st, 2020, you had $5000 in an Education Savings Plan account. You decide to make monthly payments of $200 into that savings plan starting on that Jan 1st and continuing monthly. * 1. If the interest is 2.99% per annum compounded monthly what is the value of the RESP after 3 years of payments?

|  |  |  |
| --- | --- | --- |
|  | ***Value*** | ***Type*** |
| Present Value |  |  |
| Payment |  |
| Future Value |  |
| Annual Rate % |  |  |
| Periods |  |  |
| Compounding |  |  |
| Mode |  |  |

* 1. What is the total interest earned at the end of the 3 years?
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**Learning Goal #2: I can calculate loan and leasing payments**

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| **Developing (2)** |
| You are wanting to renovate your kitchen. You subtotal your supplies to be $8,990 plus tax. Home Depot has some great financing deals. They are willing to give you a financing deal of 3.1% interest per annum, with a down payment of $1000. You are hoping to have your kitchen paid off in 3 years. What is your monthly payment?

|  |  |  |
| --- | --- | --- |
|  | ***Value*** | ***Type*** |
| Present Value |  |  |
| Payment |  |
| Future Value |  |
| Annual Rate % |  |  |
| Periods |  |  |
| Compounding |  |  |
| Mode |  |  |

 |
| The Brick has a Canada Day sale coming up on their living room furniture. The couch furniture you want is on sale for $2889.00. You decide to go for their finance program, which includes a down payment of 15% followed by 24 months of $119 payments. How much would you be paying for this system by the end?  |

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| **Proficient (3)** |
| Chloe has decided to buy a used car from Used Cars R Us dealership in town. The car is $22,975 plus tax. She has also agreed to trade in her old car for $2000 as a down payment on the car. Chloe will borrow the remaining amount at 3.15% compounded monthly for 4 years. * 1. What are the monthly payments?

|  |  |  |
| --- | --- | --- |
|  | ***Value*** | ***Type*** |
| Present Value |  |  |
| Payment |  |
| Future Value |  |
| Annual Rate % |  |  |
| Periods |  |  |
| Compounding |  |  |
| Mode |  |  |

* 1. What is the total cost of the car (including the trade in)?
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| Susie often uses her credit card for both cash advances and purchases. Her current Mastercard has a 17.5% annual interest rate. Susie took out a cash advance of $1400 on her credit card on January 1st. She also put $3400 worth of a shopping spree on her credit card as well in this pay period. Her bill is due January 25th and she intends to pay it in full. What will her bill be? |

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| **Sophisticated (4)** |
| Chloe has found a different car that might be a better deal. For a new Honda Civic the purchase price is $25,999. The lease deal is 10% down payment, with monthly payments of $319.00 + taxes for 5 years. The buy-out is $7599.00. How much will the final cost of the car be? |
| A sports car is advertised with a purchase price of $49,555.00. You are considering the following financing options for the car. Complete the table below with the details of the two options:

|  |  |  |
| --- | --- | --- |
|  | Option 1: Loan | Option 2: Lease |
| Details of the deal | * The down payment is $7000
* The loan is 6.95% per annum compounded monthly
* Monthly payments are to be made for 5 years
 | * You decide to do a down payment of $5000
* The interest on the lease is set at 8.1% per annum compounded monthly for 3 years
* Residual value is $25,975.89
 |
| Monthly payments |  |  |
| Total cost of the car to own |  |  |
| Interest paid  |  |  |

Which one would you choose? Why? State at least 2 reasons to support your answer. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |