

# Chapter Review

1. a) Name two different types of financial institutions in Canada.  
e.g., banks, loan companies

b) What are two similar services they provide?  
e.g., loaning money for cars; loaning money for mortgages

c) What are two different services they provide?  
e.g., at banks: savings accounts and online banking

2. Why is a tax-free savings account better than a regular savings account?  
e.g., The earnings are tax-free.

3. Ed's balance in his savings account was \$650 on June 1. On June 10 he made a deposit of \$200. His account pays 2%/yr, compounded daily and paid monthly. How much interest did he earn this month?

$$\left[ \$650 \left( 1 + \frac{0.02}{365} \right)^9 - \$650 \right] + \left[ \$850 \left( 1 + \frac{0.02}{365} \right)^{21} - \$850 \right] = \$0.32 + \$0.98, \text{ or } \$1.30$$

He earned \$1.30.



4. Think of a date that is important to you. Explain why. Use the date to create three different PINs.

e.g., June 25, 2012, or 25/06/2012 - last day of high school  
2506, 62512, 12625

5. a) Name three expenses that are fixed each month.  
e.g., rent, car payment, insurance

b) Name three expenses that are variable each month.  
e.g., entertainment, utilities, clothing

6. What are some ways that a debit card can be used?

e.g., withdrawing cash at any ATM, depositing cheques or money or paying bills at any ATM at a branch of your bank, paying for items/services at businesses, using online banking

- c) Which of the expenses you listed in Part a) or b) are recurring? Explain.

e.g., Most are, except entertainment and clothing. I can choose whether to spend money in these categories, whereas the other expenses must be paid every month.

7. Trista is a dental assistant. She has a net annual income of \$34 161.31. She has these monthly expenses:

rent	\$1300.00
utilities	\$ 75.00
phone and cable	\$ 215.00
car insurance	\$ 140.00
medical insurance	\$ 59.00
savings	\$ 100.00
food	\$ 400.00
transportation (gas and maintenance)	\$ 100.00
clothing	\$ 200.00
dental	\$ 100.00
entertainment	\$ 300.00
household	\$ 150.00
vacation	\$ 200.00

- a) Create a spreadsheet budget for Trista.  
b) Does Trista have a surplus or deficit? How much is it?

Trista has a deficit of \$492.22.

- c) What could Trista do to improve her financial position?

e.g., She could cut back on her variable expenses, such as food, clothing, and entertainment. She could also get a part-time job to increase her monthly income.

- d) Trista's dad gave her this advice: spend \$75 less each month on food, spend \$75 less each month on clothes, spend \$200 less each month on entertainment, and get a part-time job for \$10/h.

How many additional hours must Trista work at the part-time job each month to get out of debt under this plan?

$$\text{e.g., } \$492.22 - (\$75 + \$75 + \$200) = \$142.22$$

$$\$142.22 \div \$10/\text{h} = 14.222 \text{ h}$$

She must work about 15 h more each month.

7. a) e.g.,

MONTHLY INCOME	
Net Income 1 (\$34 161.31/12 =)	\$2846.78
<b>TOTAL MONTHLY INCOME</b>	<b>\$0</b>
MONTHLY EXPENSES	
<b>FIXED EXPENSES</b>	
Rent or mortgage	\$1300.00
Insurance (car, driver's licence, home, contents, life)	\$199.00
Utilities (water, gas, electricity)	\$75.00
Telecommunications (telephone, cable, Internet, cell phone)	\$215.00
Savings	\$100.00
<b>TOTAL FIXED MONTHLY EXPENSES</b>	<b>\$1889.00</b>
<b>VARIABLE EXPENSES</b>	
Food (groceries, eating out, cafeteria)	\$400.00
Transportation (gas, vehicle maintenance, parking, bus pass)	\$100.00
Clothing and accessories	\$200.00
Health care (dentist, medications, glasses/contacts)	\$100.00
Household (cleaning, maintenance, furniture or appliances)	\$150.00
Recreation (movies, concerts, games, equipment, plays, sports)	\$300.00
Travel	\$200.00
<b>TOTAL VARIABLE MONTHLY EXPENSES</b>	<b>\$1450.00</b>
TOTAL MONTHLY INCOME	\$2846.78
TOTAL MONTHLY FIXED AND VARIABLE MONTHLY EXPENSES	\$3339.00
<b>SURPLUS OR DEFICIT</b>	<b>-\$492.22</b>