

Financial Math Test 3**True/False**

Indicate whether the statement is true or false.

- _____ 1. Aaron wants to know how much he needs to save each month in his savings account to have a certain amount in the future. He should use the formula for present value of a periodic deposit investment.
- _____ 2. Annual percent yield is higher than the annual percentage rate because APY takes into account the additional interest earned by compounding.
- _____ 3. To reconcile a check register means to match all the entries in the register with the statement received from the bank and correct any discrepancies.
- _____ 4. Interest compounded semiannually is compounded four times a year.
- _____ 5. The Federal Deposit Insurance Corporation insures bank accounts up to a particular amount. This means that if the bank fails, the money is guaranteed by the government.
- _____ 6. Maxine deposited \$1,000 into an account that pays 4.5% interest, compounded daily. At the end of six months, she has earned \$12 in interest.
- _____ 7. Compound interest earns more than simple interest at the same interest rate because compounding pays interest on the interest earned.

Multiple Choice

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

- _____ 8. James and Terry open a savings account that has a 2.75% annual interest rate, compounded monthly. They deposit \$500 into the account each month. How much will be in the account after 20 years?
- | | |
|-----------------|-----------------|
| a. \$330,600.15 | c. \$159,744.59 |
| b. \$580,894.18 | d. \$48,407.45 |
- _____ 9. Margarite wants to take a trip to Japan in 8 years. She knows she will need about \$4,200. How much should she deposit into an account now that pays 3.5% interest compounded daily, in order to meet her goal? Round to the nearest dollar.
- | | |
|------------|------------|
| a. \$1,706 | c. \$3,781 |
| b. \$3,174 | d. \$1,026 |
- _____ 10. Malcolm wants to make a deposit into an account that earns interest. He wants to be able to access the money on a limited basis. What type of account should he NOT consider?
- | | |
|------------------------------|---------------------------|
| a. Savings Account | c. Money Market Account |
| b. Statement Savings Account | d. Certificate of Deposit |

