1. ________ is the process of managing your money to achieve personal economic satisfaction.
   a. Implementing your plan
   b. Personal financial planning
   c. Revising your plan
   d. None of these

2. The very first exhibit in our textbook (Ex: 1-1), “The Financial Planning Process,” looks like the graphic on the right. What is the first step in this process?
   a. Develop your financial goals.
   b. Identify alternative courses of action.
   c. Evaluate alternatives.
   d. None of these

3. When a person makes a choice, he/she generally gives up something. What’s given up is called the “marginal cost” of that choice.

4. The authors of our textbook advise against using information from multiple sources when making financial decisions. They say, “Choose one information source, stick with it, and get to be an expert on it.”

5. Financial planning is a static process that pretty much ends when you take a particular action; thus, you do not need to regularly assess your financial decisions.

6. Even though the U.S. is one of the richest countries in the world, many of its citizens have money problems. The authors of our text cite two main reasons for this: 1) poor planning and weak money management habits, and 2) extensive governmental taxation.

7. Just as most businesses have short, intermediate-, and long-term goals, it is wise for individuals to be equally as precise when defining their personal financial goals; that is, individuals need to have short, intermediate-, and long-term goals, also.

8. In order to be “the best that you can be,” the textbook advises readers to set unattainable (i.e., unrealistic) financial goals. That way, when you fall short of achieving them, you probably still will have increased your wealth.

9. Financial goals should be stated in specific, measurable terms; that is, “Accumulate $10,000 to buy a car in 3 years” is a more properly stated goal than, “We’re going to save so we can buy a car sometime in the next few years.”

10. A good financial goal is stated in a manner that implies the type(s) of action(s) that should be taken by the planner.

11. Financial goals can easily vary, depending on your life situation (young & single vs. young couple with a 1-year-old son).

12. ________ are ideas and principles that a person considers correct, desirable and important.
   a. Economics    c. Laws
   b. Lifestyle choices d. None of these

13. Increased consumer spending is likely to create more jobs and higher wages.

14. Interest rates tend to rise as more people save and invest; furthermore, higher savings (and lower spending) can increase job opportunities.

15. When one computes a future value, the process is called “compounding” in time value language.

16. Our textbook gives us the following formula for computing simple interest: Interest = (Amount in savings) x (Annual interest rate) x (Time period). In this formula, time is expressed as a multiple, or fraction, of one year.

17. What type of time value calculation must you work to answer the following problem: How much must you invest today, at 4 percent compounded annually to accumulate $10,000 at the end of 4 years?
   a. Future value of a single amount
   b. Future value of a series of deposits
   c. Present value of a single amount
   d. Present value of a series of deposits

18. Unfortunately, Excel and other spreadsheet software programs do not have built-in formulas for time value computations, so one must learn all the time value formulas provided in finance textbooks.

19. The authors of our text contend that you can avoid many common money mistakes by using the eight major areas of personal financial planning discussed in the book to organize your financial activities.

20. A ________ is a formalized report that summarizes your current financial situation, analyzes your financial needs, and recommends future financial activities.
   a. Budget    c. goal summary
   b. investment plan d. None of these