

**Paper 1 Quiz 5****Name:** \_\_\_\_\_ **Class:** \_\_\_\_\_

1. On 1 April 2019, Yan deposited \$3,000 into a savings plan with an interest rate of 1% per year, compounded annually. If Yan deposits the same amount into the savings plan on 1 April every year, what is the account balance of Yan's savings plan as at 31 March 2022?
- A. \$3,091  
B. \$9,090  
**C. \$9,181**  
D. \$9,273
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2. On the first day of 2012, Johnny deposited \$6000 into a fixed-interest bank account. Suppose the interest rate on the deposit is 4% per annum compounded annually, find out (to the nearest dollar) the total amount Johnny could withdraw at the end of 2014.
- A. \$6480  
B. \$6720  
**C. \$6749**  
D. \$7019
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3. If the nominal rate of return remains unchanged, which of the following statements about the effective rate of return are correct?
- (1) Effective rate of return reflects the actual return on an investment.  
(2) Effective rate of return will be higher if the amount of the principal increases.  
(3) Effective rate of return will be higher if the frequency of compounding increases.
- A. (1) and (2) only  
**B. (1) and (3) only**  
C. (2) and (3) only  
D. (1), (2) and (3)
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4. Which of the following statements about a bank overdraft is/are correct?
- (1) There is no fixed repayment schedule.  
(2) Its interest is usually charged on a monthly basis.  
(3) Collateral is usually not required.
- A. (1) only  
**B. (1) and (3) only**  
C. (2) and (3) only  
D. (1), (2) and (3)
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5. Which of the following are the benefits for a borrower of maintaining a good personal credit record?
- (1) lower interest rate on personal loan  
(2) higher credit limit  
(3) better terms when opening a term deposit account
- A. (1) and (2) only**  
B. (1) and (3) only  
C. (2) and (3) only  
D. (1), (2) and (3)
- ☐

6. A well-planned personal budget can help to avoid

- (1) overspending.
- (2) misuse of consumer credit.
- (3) losses in stock investments.

A. (1) and (2) only

B. (1) and (3) only

C. (2) and (3) only

D. (1), (2) and (3)

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7. Which of the following statements is correct?

A. A 6-month government bill is an investment instrument in the equity market.

B. An investment instrument with a higher risk may yield a higher return.

C. Market risk can be avoided by investing in various financial products.

D. Investment in the preferred stock is more risky than in the common stock of a company.

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Ms Cheung is working in a long-established grocery store. She plans to resign to establish her own grocery store. Mr Sze, aged 62, is the employer of Ms Cheung. He wants to retire and invites Ms Cheung to take over his store.

8. In the life-cycle context, which of the following is the major financial need of retired people, such as Mr Sze?

A. create and accumulate wealth

B. insure on earning ability

C. arrange for children's educational fees

D. plan for medical expenses

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9. Tracy, aged 35, set up a dessert shop as a sole proprietor in 2015. Since then, she has employed Betty, aged 30, as a part-time helper at a monthly salary of \$5,000. Which of the following statements about the Mandatory Provident Fund (MPF) Scheme is/are correct?

(1) Tracy needs to enrol herself into an MPF scheme.

(2) Tracy needs to enrol Betty into an MPF scheme and make mandatory contributions for her.

(3) Betty needs to make mandatory contributions to the MPF Scheme.

A. (1) only

B. (1) and (2) only

C. (2) and (3) only

D. (1), (2) and (3)

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10. Under which of the following circumstances can a scheme member withdraw the accrued benefits from the Mandatory Provident Fund scheme?

(1) early retirement at the age 60

(2) unemployed for more than 6 months

(3) permanent departure from Hong Kong

A. (1) and (2) only

B. (1) and (3) only

C. (2) and (3) only

D. (1), (2) and (3)

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11. Which of the following will affect the share price of a listed company selling motorcars?
- (1) fuel price
  - (2) interest rate
  - (3) dividend policy of the company
- A. (1) and (2) only  
B. (1) and (3) only  
C. (2) and (3) only  
D. (1), (2) and (3)
12. The following are the basic listing requirements for new applicants to list their stocks on the Main Board of the Stock Exchange of Hong Kong except \_\_\_\_\_.
- A. size of workforce  
B. amount of cash flow  
C. history of operation  
D. profit attributable to shareholders
13. If the Hang Seng Index (HSI) rose by 10% during the past month, it means that \_\_\_\_\_ during the past month.
- (1) the 'HSI-Commerce & Industry' rose by 10%
  - (2) the turnover of the HSI constituent stocks increased by 10%
  - (3) the market prices of the HSI constituent stocks rose in general
- A. (1) only.  
B. (2) only  
C. (3) only  
D. (2) and (3) only
14. Mr Lee deposited \$1,000,000 into a bank account two years ago. The account offered an annual interest rate of 6.5%, compounded annually. If Mr Lee withdraws \$50,000 from his deposit now, how much will he have in his account in a year?
- A. \$1,147,552  
B. \$1,154,700  
C. \$1,157,950  
D. \$1,207,950
15. Tracy is the holder of a credit card issued by a bank in Hong Kong. The credit limit of the card is \$200,000. Which of the following statements is/are correct?
- (1) If Tracy has \$100,000 in her bank account, she can buy a \$300,000 car with her credit card.
  - (2) Tracy can use her credit card to make purchases in overseas countries.
  - (3) Tracy does not need to pay a monthly minimum payment if she does not use the credit card.
- A. (2) only  
B. (1) and (2) only  
C. (1) and (3) only  
D. (2) and (3) only

16. A credit card user can
- (1) settle the credit card balance in irregular or lump-sum payments.
  - (2) be exempt from interest charges by paying the monthly minimum payment.
  - (3) make payments in all shops in Hong Kong with a credit card.
- A. (1) only
- B. (1) and (2) only
- C. (2) and (3) only
- D. (1), (2) and (3)
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17. Which of the following statements about a personal credit record is correct?
- A. A consumer can improve his personal credit record by applying for more credit cards.
- B. A consumer can obtain a loan at a lower interest rate if he has a good personal credit record.
- C. A consumer cannot view his own personal credit record.
- D. If a consumer goes bankrupt, his personal credit record will be deleted.
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18. Which of the following statements about savings deposits in Hong Kong is correct?
- A. They do not involve any investment risk.
- B. Depositors may suffer a loss if Hong Kong faces an economic downturn.
- C. They offer a lower return than corporate bonds.
- D. They offer a higher interest rate than term deposits.
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19. The stock prices of companies in a country tend to (1) when the country goes to war, and tend to (2) when the country's interest rates decrease.
- |    | <u>(1)</u> | <u>(2)</u> |
|----|------------|------------|
| A. | rise       | rise       |
| B. | rise       | fall       |
| C. | fall       | rise       |
| D. | fall       | fall       |
- ☐
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20. The Hang Seng Index (HSI) \_\_\_\_\_.
- (1) is the only stock market index in Hong Kong
  - (2) includes many large mainland and local companies listed in Hong Kong
  - (3) can help investors understand the general performance of stocks in Hong Kong
- A. (3) only
- B. (1) and (2) only
- C. (2) and (3) only
- D. (1), (2) and (3)
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