

Unit #2 Practice Test - Net Income and Purchasing Power

NAME : _____

Date: _____

	Your Mark	Out of
Communication		10
Application		10.5
Thinking		14

Part A: Communication

1. Explain the purpose of each deduction. If you prefer, you can explain verbally – call me over!

[6 marks]

a) CPP

b) EI

c) Federal and Provincial Income Tax

2. Explain the difference between the following. You can explain verbally – call me over!

[4 marks]

a) An essential and a non-essential expense. Give one example of each.

b) Gross income and net income.

Part B: Application

1. Luke earns \$12.50 per hour and works 35 hours per week.

a) What does Luke earn in one week? Show your calculation. **[1 mark]**

b) What does Luke earn in one year? Show your calculation. **[1 mark]**

2. Using the “**DEDUCTIONS**” table (*handed out with your test*), use Luke’s annual salary to look up the percentage of tax he will pay under each category below. Use this information to calculate Luke’s total deductions. **[6.5 marks]**

Deduction Type	Tax Rate (%)	Calculation	Amount Deducted
CPP			
EI			
Federal Tax			
Provincial Tax			
Total Deductions:			

3. What is Luke’s Net pay? Show your calculation. **[1 mark]**

4. What percent of his gross income does Luke take home? Show your calculation. **[1 mark]**

Part C: Thinking

1. Merri receives a net pay of \$1200 on the 15th and the 30th of every month. His June expenses are as follows:

<u>Expense</u>	<u>Amount</u>	<u>Date Paid</u>
Groceries	\$85 / week	Saturdays
Car loan	\$225 / month	5 th of the month
Cable	\$35 / month	25 th of the month
Car insurance	\$105 / month	27 th of the month
Gas	\$40 / week	Sundays
Phone	\$38 / month	15 th of the month
Rent	\$1000 / month	1 st of the month
Entertainment	\$20 / week	Fridays
Pet (Food etc.)	\$10 / week	Saturdays
Savings	\$100 / month	\$50 per pay

a) On the calendar below, place the dollar value of Merri's net income on the days that he receives it. Place the dollar value of his expenses on the days when they occur - don't forget to label the expense! **[5 marks]**

<i>June</i>						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

b) Calculate Merri's total expenses for the month. Show your calculation. **[2 marks]**

c) Remember, Merri is paid TWICE in the month. After paying his expenses, how much money does Merri have left? **[2 marks]**

d) Merri would like to buy a motorcycle that costs \$12,000. Calculate how long it will take him to save up for this expense with the money he has left over each month. **[2 marks]**

e) Describe Merri's purchasing power. **[1 mark]**

f) List at least two things Merri could do to improve his purchasing power. **[2 marks]**