Practice Unit Test #4 - Investing

NAME : _____

	Your Mark
Communication	/6
Knowledge	/14
Application	/9
Thinking	/5

Part A: Communication

1. Explain the difference between **Simple and Compound** Interest. [2 marks]

2. Explain one of the following types of investments: GIC, Bonds, Mutual Funds, Tax Free Savings Account, Stocks, Savings Account. [2 marks]

3. Give details about the three "types" of investor that were discussed in class: Conservative, Moderate, and Aggressive. [2 marks]

1. Antonio bought an $8000 ten-year GIC. The GIC pays 3.25% *simple interest* per annum.
(Use the table below to help calculate your solution and answer the questions below)

[5]

Principal (P) in $	Interest Rate (r) in decimal form	Time (t) in years	Interest Earned (I = Prt) in $	Amount at end of investment period (A = P + I) in $

[1]
a) If Antonio holds the bond for the full 10 years, how much *interest* does he earn?

b) How much interest does Antonio receive **per year**?

[1]

c) What will his balance be in his bank account after the 10 years are up, including interest?

[1]

2. Torie invests $500 at 3% interest for 3 years. Her investment is compounded *monthly*.

a) Complete the chart below

[5]

Year	Principal (P) in $	Interest Rate (r) in decimal form	Time (t) in years	Interest Earned (I = Prt) in $	Amount at end of investment period (A = P + I) in $
1					
2					
3					

[1]
b) What is the difference between Torie's initial investment of $500 and the "Amount" of money she has in her bank account at the end of the 20 years?

Part C: Application

1. Use the following stock update for May 10, 2012 to answer the questions below.

Stock	Volume	Day Low	Day High	Last	Net Change	52-wk Low	52-wk High
EQN	19 196 436	8.090	8.110	8.110	0.020	3.070	8.420
EMD	17 036 440	0.150	0.185	0.165	-0.020	0.150	0.340
CLL	6 134 980	1.230	1.310	1.280	0.060	1.100	1.730
PDL	5 993 596	3.900	4.810	3.980	-1.470	3.060	7.920
XIU	5 098 757	19.550	19.700	19.600	-0.040	16.260	20.710
SU	4 853 594	40.450	41.180	40.580	-0.030	29.910	47.270
UUU	4 535 575	4.060	4.290	4.080	-0.150	1.970	7.020

[1] a) Which stock(s) sold for more than $10? _____

[1] b) How many shares of PDL were traded on this day? _____

c) Find the value of 244 shares of XIU. (Use the "last" price for your calculation)
[1]

[1] d) Which stock (name) traded the least shares on May 10? _____

[1] e) Which stock (name) had the largest **decrease** in price from the previous day? _____

[1] f) What was the **highest** value of SU stocks over the past year? _____

[1] g) What was the **lowest** value of SIU stocks over the past year? _____

[1] h) What was the **difference** between the lowest and highest price determined in (g) and (h)?

[1] i) Determine the number of shares of UUU that can be purchased with $500. (Use "last" price).

1. Tara is 70 years old. She receives Canada Pension every month as her income. She just sold her house and has $20 000 she wants to invest, and it is your job to advise her of her best options.

a) What type of investor might Tara be, and why do you think so?

[2]

b) What do you think Tara's financial goal might be?

[1]

2. Based on your answers from Question #1, how should Tara invest her $20 000? Explain.

Hint: Choose from **GIC, Bonds, Mutual Funds, Tax Free Savings Account, Stocks, or Savings Account.**

[2]