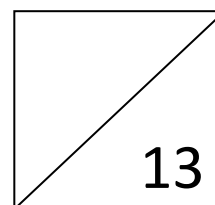


South Tuen Mun Government Secondary School
Business, Accounting and Financial Studies
Paper 1 Revision- Basics of Personal Financial Management Ch.1
DSE Past Paper 2012-2019



Name: _____ Class: _____ () Date: _____

Ch 1

| 17-10 | <p>Mr Lee is going to deposit an amount into a savings account with interest of 7% per year, compounded annually. He wants to receive a sum of \$150 000 from the account after 3 years. How much should he put into the savings account now?</p> <p>A. \$120 654 B. \$122 445 C. \$131 016 D. \$183 756</p> | | | | | | | | | | | | |
|-----------------------------------|--|----------------|--------------|---------|----------|---------------|--------------|----------------|--------------|-----------------------------------|-----------|-------------|--------|
| 13-15 | <p>A bank launches the following savings plans:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Plan I</th> <th style="text-align: center;">Plan II</th> <th style="text-align: center;">Plan III</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Interest rate</td> <td style="text-align: center;">5% per annum</td> <td style="text-align: center;">5.5% per annum</td> <td style="text-align: center;">6% per annum</td> </tr> <tr> <td style="text-align: center;">Frequency of interest compounding</td> <td style="text-align: center;">quarterly</td> <td style="text-align: center;">half-yearly</td> <td style="text-align: center;">yearly</td> </tr> </tbody> </table> <p>Which plan(s) offer(s) the highest return after two years?</p> <p>A. Plan I B. Plan II C. Plan III D. Plan I and Plan III</p> | | Plan I | Plan II | Plan III | Interest rate | 5% per annum | 5.5% per annum | 6% per annum | Frequency of interest compounding | quarterly | half-yearly | yearly |
| | Plan I | Plan II | Plan III | | | | | | | | | | |
| Interest rate | 5% per annum | 5.5% per annum | 6% per annum | | | | | | | | | | |
| Frequency of interest compounding | quarterly | half-yearly | yearly | | | | | | | | | | |
| 12-9 | <p>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.</p> <p>A. \$6480 B. \$6720 C. \$6749 D. \$7019</p> | | | | | | | | | | | | |
| 15-17 | <p>On 1 January 2014, Mr Wong deposited \$500 000 into a saving plan which offers a return of 5% per year, compounded annually. The total amount of money Mr Wong will get from the plan after 3 years is _____ (to the nearest dollar).</p> <p>A. \$431 919 B. \$525 000 C. \$551 250 D. \$578 813</p> | | | | | | | | | | | | |

| | | | | | | | | | |
|--------|--|--|----|--------|--------|--------|--------|--------|--------|
| 18-15 | <p>Mr Lee wants to buy a car 3 years later. Its price is \$500 000 now and is expected to increase by 3% per annum. To pay for the car after 3 years, he is considering investing in a fund with a return of 5% per annum, compounded annually. How much should he invest in the fund now?</p> <p>A. \$471 969 B. \$490 476 C. \$509 709 D. \$529 695</p> | | | | | | | | |
| 19-29 | <p>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?</p> <p>A. \$3 091 B. \$9 090 C. \$9 181 D. \$9 273</p> | | | | | | | | |
| 16-19 | <p>Peter wants to deposit \$500 000 in a bank for half a year. The bank offers him the following saving plans. Which plan offers the highest return?</p> <p>A. a lump sum interest of \$6000 at the end of half a year B. an interest rate of 2.4% p.a., compounding quarterly C. an interest rate of 2.4% p.a., compounding half-yearly D. an interest rate of 2.4% p.a., compounding annually</p> | | | | | | | | |
| 12-26 | <p>The effective rate of return on a time deposit is raised if</p> <p>A. the frequency of compounding is higher. B. the principal is larger. C. the period of deposit is shorter. D. the cost of capital is lower.</p> | | | | | | | | |
| 16-14 | <p>A bank offers a saving plan which requires an initial deposit of \$100 000. The plan generates the following cash flows at the end of subsequent years:</p> <table data-bbox="287 1344 654 1478" style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: center;">\$</td> </tr> <tr> <td>Year 1</td> <td style="text-align: center;">20 000</td> </tr> <tr> <td>Year 2</td> <td style="text-align: center;">35 000</td> </tr> <tr> <td>Year 3</td> <td style="text-align: center;">55 000</td> </tr> </table> <p>Given a discount rate of 5% p.a., what is the net present value of the saving plan?</p> <p>A. \$10 000 B. \$9523.81 C. \$4761.90 D. - \$1695.28</p> | | \$ | Year 1 | 20 000 | Year 2 | 35 000 | Year 3 | 55 000 |
| | \$ | | | | | | | | |
| Year 1 | 20 000 | | | | | | | | |
| Year 2 | 35 000 | | | | | | | | |
| Year 3 | 55 000 | | | | | | | | |
| 14-13 | <p>Elsa plans to use the net present value to decide whether to buy a piece of office equipment. Which of the following pieces of information does she need to make the decision?</p> <p>(1) cost of capital (2) cashflows arising from the acquisition and use of the office equipment (3) scrap value of the office equipment at the end of its useful life</p> <p>A. (1) and (2) only B. (1) and (3) only C. (2) and (3) only D. (1), (2) and (3)</p> | | | | | | | | |

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|-------|--|
| 18-19 | <p>Which of the following are required in the calculation of the net present value of investing in a machine?</p> <ul style="list-style-type: none">(1) initial cost of the machine(2) scrap value of the machine(3) useful life of the machine <ul style="list-style-type: none">A. (1) and (2) onlyB. (1) and (3) onlyC. (2) and (3) onlyD. (1), (2) and (3) |
| 17-13 | <p>If the nominal rate of return remains unchanged, which of the following statements about the effective rate of return are correct?</p> <ul style="list-style-type: none">(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. <ul style="list-style-type: none">A. (1) and (2) onlyB. (1) and (3) onlyC. (2) and (3) onlyD. (1), (2) and (3) |
| 19-8 | <p>Paul has taken out a 3-year personal loan of \$100 000 at an annual interest rate of 12%, compounded monthly. Which of the following statements is/are correct?</p> <ul style="list-style-type: none">(1) The annual nominal interest rate of the loan is 12%.(2) The annual effective interest rate of the loan is higher than 12%.(3) In general, the interest rate for a personal loan is lower than that for a credit card. <ul style="list-style-type: none">A. (1) onlyB. (1) and (2) onlyC. (2) and (3) onlyD. (1), (2) and (3) |