# Money & Value Investing — Quiz

Covers the four handouts: What Is a Stock? · Value Investing Primer · Trading Accounts · Compound Interest

**Name:** ______________________________ **Date:** __________________ **Score:** _______

Answer every question. For the math section, show your work. Good luck!

## PART A Multiple Choice

Circle the best answer · 8 pts

**1.** When you buy one share of a company's stock, you are:

- a) Lending money to the government
- b) Buying a small piece of ownership in that company
- c) Guaranteed to make money
- d) Buying a physical product from a store

**2.** A stock market index (like the Dow or S&P 500) is best described as:

- a) A tax charged on investors
- b) A type of bank account
- c) A scoreboard that tracks a group of stocks
- d) A government agency

**3.** "Margin of safety" means:

- a) Only buying the most popular stocks
- b) The gap between a cheap price and a higher value
- c) Keeping all of your money in cash
- d) A fee your broker charges you

**4.** Over 15 years, about how many professional fund managers *fail* to beat a simple index fund?

- a) About 1 in 10
- b) About half
- c) About 9 in 10
- d) None — the pros always win

**5.** Which Canadian account makes your growth *and* withdrawals completely tax-free?

a) RRSP
b) TFSA
c) Non-registered account
d) Chequing account

**6.** An RRSP is usually the better choice when:

a) You want to spend the money next week
b) Your tax rate is higher now than it will be in retirement
c) You have no income at all
d) You never plan to retire

**7.** Compound interest is so powerful mainly because of:

a) Luck
b) Time — you earn returns on your returns
c) Picking the one perfect stock
d) Trading every single day

**8.** The "Rule of 72" is a quick way to estimate:

a) How many stocks you should own
b) How long it takes your money to double
c) Your income tax rate
d) The price of a single share

## PART B Fill in the Blank

Use the word bank · 6 pts

**WORD BANK**

`shareholder` `dividend` `exchange` `intrinsic value` `index fund` `compound`

**9.** A person who owns shares of a company is called a ________________.

**10.** A share of profits that a company pays out to its owners is called a ________________.

**11.** The marketplace where stocks are bought and sold is called an ________________.

**12.** A company's true underlying worth is its ________________.

**13.** Buying a tiny slice of every company in an index at once is done with an ________________.

**14.** Interest that earns on your original money *plus* what it has already earned is ________________ interest.

## PART C Short Answer

1–2 sentences each

**15.** In your own words, why does the *price you pay* for a stock matter so much?

**16.** Give one reason most professional investors fail to beat the market.

**17.** Explain one difference between a TFSA and an RRSP.

**18.** Why is it smart to start investing while you are young?

## PART D Math — Percentages

Show your work · 4 pts

**19.** A stock's fair value is **$100**, but it is trading at **$80**. What is the discount (margin of safety) as a *percentage*?

WORK / ANSWER

**20.** Using the Rule of 72: if an investment earns **6%** per year, about how many years will it take to *double*?

WORK / ANSWER

**21.** A credit card charges **24%** interest. Using the Rule of 72, about how many years for the amount you *owe* to double?

WORK / ANSWER

**22.** In Canada, only **50%** of a capital gain is taxable. If you have a **$400** gain, how many dollars of it are taxable?

WORK / ANSWER