

Math for Financial Literacy ©2013

Chapter 11: Building Wealth—Checkpoint Solutions

Checkpoint 11.1

1. Calculate Marc's net worth.

Answer: \$158,605.40

2. Calculate Latoya's net worth.

Answer: \$277,118.91

3. Marc receives a \$6,500 bonus check from work. He decides to pay off his credit card debt, and put the remainder of the bonus in his savings account. What is Marc's new net worth?

Answer: \$165,105.40

4. Latoya had a \$7,500 family emergency and had to spend \$4,000 from her savings account and sell \$3,500 worth of other assets. What is Latoya's new net worth?

Answer: \$269,618.91

5. Latoya received an inheritance of \$3,300. She added the money to her investment account. What is Latoya's new net worth compared to that calculated in question 4?

Answer: \$272,918.91

Checkpoint 11.2

1. Manuel purchased a corporate bond with a face value of \$2,500 at a coupon rate of 5.25% that will mature in four years. If Manuel keeps the bond for four years, how much total interest will he receive?

Answer: \$525

2. Shania is purchasing a government bond with a par value of \$800 and a price quote of 101.625. What is the price of the bond?

Answer: \$813

3. Cheng is purchasing a municipal bond with a par value of \$2,100 and a price quote of 98.875. What is the price of the bond?

Answer: \$2,076.38

4. Marjorie purchased a county government bond with a par value of \$3,000 and coupon rate of 4.5% that pays interest quarterly. What will be Marjorie's interest payments?

Answer: \$33.75

5. Hakim purchased a corporate bond with a coupon rate of 8.5% and a par value of \$2,000. The value of the bond rose to \$2,500. What is the bond yield?

Answer: 6.8%

Checkpoint 11.3

1. What did the stock purchase cost Ramona?

Answer: \$1,330.95

2. Calculate Ramona's quarterly dividend and her annual dividend yield.

Answer: \$41.25; 11.9%

3. Jackson is a fund manager for Eastern Seaboard Value Fund A. The fund has \$92,000,000 in assets, \$17,000,000 in debts, and currently has 4,600,000 shares. What is the NAV of the Eastern Seaboard Value Fund A?

Answer: \$16.3043

4. Maia wants to purchase 220 shares of Appalachian Equity Fund C, which is a no-load fund with an NAV of \$8.3178. What will be Maia's total investment cost?

Answer: \$1,829.92

5. Cody purchased 150 shares of Great Southern Value Fund B at an NAV of \$13.0238. He later sold the shares at an NAV of \$16.3852. What was the return on Cody's investment?

Answer: \$504.21