Name ___Answer Key___

Personal Finance

Topic 4 –Inflation – Review for Quiz

Part I – Short Answer:

1) Define Inflation

   A rise in the price of goods/ Services

2) What does CPI stand for?

   Consumer Price Index

3) Name some of the items that are included to determine CPI

   Look at CPI PowerPoint

Part II: For the following questions, use real dollar comparisons with the correct years' CPI values to determine which year the item is more expensive

4) In 1992, apples were $0.33 per pound. Today in 2021, apples sell for $1.69 per pound   Apples

   $\frac{.33}{140.3} = .00235$ $\frac{1.69}{264.8} = .0064$ More expensive in 2021

5) In 2004 a house on Peachtree Lane sold for $315,000. Today, that same house will sell for $459,000

   $\frac{315,000}{188.9} = 1667.55$ $\frac{459,000}{264.8} = 1733.38$ House more expensive in 2021

6) In 1985 a personal computer was $700. Today, that same computer is $499

   $\frac{700}{107.6} = 6.51$ $\frac{499}{264.8} = 1.88$ Computer more expensivec in 1985

For each scenario, find:

A) Salary necessary to have kept up with inflation in 2021

B) Compare actual 2021 salary. Has this person's salary kept up with inflation? Not kept up with inflation? Outpaced inflation?

1. Kaitlin: $45,000 annual salary in 1999. $62,000 salary in 2021

   $\frac{45,000}{166.6} = \frac{x}{264.8}$ Salary should be $71,524. Salary has not kept pace with inflation

2. Anthony: $89,000 annual salary in 2000. $96,000 salary in 2021

   $\frac{89,000}{172.2} = \frac{x}{264.8}$ Salary should be $136,659. Salary has not kept up from inflation

3. Carl: $24,500 in 1985. $145,000 in 2021

   ✓

   $\frac{24,500}{107.6} = \frac{x}{264.8}$

   Salary should be $60,293

   Carl's salary has greatly outpaced inflation