

Name: \_\_\_\_\_ Date: \_\_\_\_\_

## Building Wealth: Budget to Save Assessment

Match the term to the correct definition. Write the letter of the definition next to the term. (4 points each)

_____ 1. Strugglers	a. Itemized summary of probable income and expenses for a given period
_____ 2. Impulsives	b. The difference between total assets and total liabilities of an individual
_____ 3. Wealth-creating asset	c. Money an individual or organization owes; same as debt
_____ 4. Asset	d. Anything an individual or business owns that has commercial or exchange value
_____ 5. Liability	e. Those who find it difficult to budget to save
_____ 6. Net worth	f. Spending items that appear in a personal budget
_____ 7. Budget	g. Those who budget to save
_____ 8. Income	h. Money received as salary or other payment
_____ 9. Expenses	i. Those who seek immediate gratification
_____ 10. Planner	j. Possession that generally increases in value or provides a return

11. Consider the following scenario: Taylor has just graduated from college and started her new job. She wants to save money for an emergency fund. She has student loans that she wants to pay off in the next three years, and she would like to buy a home in eight years. She wants to start her own business after working for 10 years and needs to save money for start-up costs. Name two short-term and two long-term financial goals. (10 points)

Short-Term \_\_\_\_\_  
\_\_\_\_\_

Long-Term \_\_\_\_\_  
\_\_\_\_\_

12. How can a saver like Taylor use a budget and a balance sheet as she works toward her financial goals? (15 points)

Name: \_\_\_\_\_ Date: \_\_\_\_\_

## Building Wealth: Budget to Save

# Assessment

## Page 2

13. On this balance sheet, circle the assets and draw a line through the liabilities. Compute the total net worth. (20 points)

Balance Sheet	
Student loan	\$20,000
Certificate of deposit	2,000
Car	20,000
House	150,000
Auto loan	10,000
Mortgage	120,000
401(k) retirement account	20,000
Credit card balances	8,000
Savings account	3,000
<b>Net Worth</b>	

14. How are wealth-creating assets different from other assets? (15 points)

## Building Wealth: Budget to Save

# Assessment

## Suggested Answers

1. e
2. i
3. j
4. d
5. c
6. b
7. a
8. h
9. f
10. g

11. Short-Term: Saving money for an emergency fund and paying off student loans early  
Long-Term: Buy a house in eight years and start a business using savings to pay start-up costs

12. Student answers will vary but should include these concepts: A budget is used to plan income and expenses. It is also useful as a saver looks for ways to increase income or reduce spending to allow more saving. A balance sheet measures progress toward a goal of increased net worth or total wealth.

13. Student should draw a line through the following four items:

Student loan	Auto loan
Mortgage	Credit card balances

Student should circle the following five items:

Certificate of deposit	Car
House	401(k) retirement account
Savings account	

The total net worth is \$37,000.

14. Wealth-creating assets grow in value or provide a return. Other assets lose value as they depreciate.

Name: \_\_\_\_\_ Date: \_\_\_\_\_

## Building Wealth: Save and Invest

# Assessment

Write the correct term from this list next to the definition. (4 points each)

Certificate of deposit (CD)	Common stock
Compound interest	Coupon rate
Discount	Dividend
Dow Jones industrial average	Federal Deposit Insurance Corp. (FDIC)
Interest	Maturity
Par value	Premium
Return	Risk
Treasury bond	

- \_\_\_\_\_ Type of savings account that earns a fixed interest rate over a specified period of time
- \_\_\_\_\_ Sale of a bond when the purchase price is more than its face value
- \_\_\_\_\_ Possibility of loss on an investment
- \_\_\_\_\_ Share of profits paid to a stockholder.
- \_\_\_\_\_ Time when a note, bond or other investment option comes due for payment to investors
- \_\_\_\_\_ Nominal, or face, value of a stock or bond, expressed as a specific amount on the security
- \_\_\_\_\_ Interest computed on the sum of the original principal and accrued interest
- \_\_\_\_\_ Sale of a bond when the purchase price is less than its face value
- \_\_\_\_\_ Rate of interest stated on the face of the bond
- \_\_\_\_\_ Profit made on an investment
- \_\_\_\_\_ Financial instrument that represents ownership in a corporation that entitles the investor to share any profits remaining after all other obligations have been met
- \_\_\_\_\_ Fee for the use of money over time
- \_\_\_\_\_ Government security with a term of more than 10 years; interest is paid semiannually.
- \_\_\_\_\_ Index based on the stock prices of 30 leading industrial companies
- \_\_\_\_\_ Federally chartered corporation that insures bank deposits

Name: \_\_\_\_\_ Date: \_\_\_\_\_

## Building Wealth: Save and Invest

# Assessment

### Page 2

16. What are the three types of returns that investors can earn? (9 points)

17. Name two benefits of using a bank. (6 points)

18. Name three items that an investor might look for on a stock table when considering a stock purchase. (9 points)

19. What is the difference between a bond's coupon rate and its yield? (6 points)

20. What role does an entrepreneur play in the economy? (10 points)

## Building Wealth: Save and Invest

# Assessment

## Suggested Answers

1. Certificate of deposit (CD)
2. Premium
3. Risk
4. Dividend
5. Maturity
6. Par value
7. Compound interest
8. Discount
9. Coupon rate
10. Return
11. Common stock
12. Interest
13. Treasury bond
14. Dow Jones industrial average
15. Federal Deposit Insurance Corporation (FDIC)
16. Dividend payments, interest payments and capital gains
17. Answers will vary but could include keeping money safe from loss or theft, making payments easily and inexpensively, maintaining records of financial transactions, depositing paychecks directly, building savings, earning interest and establishing credit.
18. Answers will vary but could include closing price, 52-week high and low, stock symbol, price-earnings ratio, volume, previous-day high and low, closing price and change in price.
19. The coupon rate is the stated rate of return. The bond yield is the rate of return based upon the market (or purchase) price of the bond and the amount of the coupon payment.
20. The entrepreneur is an innovator and risk-taker who combines the factors of production to bring forth new products or techniques that benefit society.

Name: \_\_\_\_\_ Date: \_\_\_\_\_

## Building Wealth: Take Control of Debt

# Assessment

Write the correct term from this list next to the definition. (3 points each)

Annual percentage rate (APR)

Credit report

Principal

Finance charge

Balance

Open-end credit

Collateral

Term loan

1. \_\_\_\_\_ Total dollar amount credit will cost
2. \_\_\_\_\_ Property, such as stocks, bonds or a car, offered to support a loan and subject to seizure if you default.
3. \_\_\_\_\_ Line of credit that may be used repeatedly, including credit cards, overdraft credit accounts, and home equity lines; also called revolving credit
4. \_\_\_\_\_ Cost of credit expressed as a yearly percentage rate
5. \_\_\_\_\_ Unpaid balance on a loan, not including interest
6. \_\_\_\_\_ Loan for a predetermined amount that requires specified payments at regular intervals over the life of the loan
7. \_\_\_\_\_ Loan and bill payment history, kept by a credit reporting company and used by financial institutions and other potential creditors to determine the likelihood a future debt will be repaid
8. \_\_\_\_\_ Amount owed on a loan or credit card
9. How does debt impact a borrower's balance sheet? (10 points)
  
10. How could a loan affect a borrower's budget? (10 points)
  
  
11. Name the Three C's of Credit. Describe two items that would demonstrate a borrower's creditworthiness for each one. (15 points)

Name: \_\_\_\_\_ Date: \_\_\_\_\_

## Building Wealth: Take Control of Debt

# Assessment

## Page 2

12. What is the difference between the annual percentage rate (APR) and finance charges on a loan?  
(8 points)

13. Classify the following items as term loans or revolving (open-end credit). Circle the correct answer.  
(2 points each)

- |                                |                   |
|--------------------------------|-------------------|
| a. Check-overdraft account     | Term or Revolving |
| b. Mortgage                    | Term or Revolving |
| c. Bank credit card            | Term or Revolving |
| d. Home equity lines of credit | Term or Revolving |
| e. Student loan                | Term or Revolving |
| f. Store credit card           | Term or Revolving |
| g. Auto loan                   | Term or Revolving |

14. What is the difference between a credit score and a credit report? (4 points)

15. Describe strategies that a borrower can use to reduce the overall cost of borrowing. (15 points)

## Building Wealth: Take Control of Debt

# Assessment

## Suggested Answers

1. Finance charge
  2. Collateral
  3. Open-end credit
  4. APR
  5. Principal
  6. Term loan
  7. Credit report
  8. Balance
9. Debt increases liabilities and therefore can reduce net worth. However, debt can be used to purchase assets that will offset this reduction in wealth.
10. The monthly payment terms commit future income. Spending or saving in other budget categories would have to be reduced in order to budget for the payments.
11. The three C's of credit are capacity, character and collateral. Students should name two items from the list below for each category.
- Capacity – occupation, length of employment, salary, number of dependents, obligations such as alimony or child support, housing expenses, payments on other debt
  - Character – overall debt, frequency of borrowing, on-time payments, debt-income ratios, length of time at present address, own or rent home, length of present employment
  - Collateral – title to a car, deed to a house, jewelry or other items of value, financial assets such as stocks or bonds
12. The APR is the percentage cost of credit on a yearly basis. APR can also be described as the total cost of borrowing, stated as a percentage of the total loan amount. Finance charges represent the total cost of borrowing and are always stated in dollar amounts.
13. a. Revolving                      e. Term  
b. Term                              f. Revolving  
c. Revolving                      g. Term  
d. Revolving
14. A credit report is a history of loan and bill payments that is kept by a credit reporting company, while a credit score is a number based on items from the credit report and generated by a statistical model.
15. A borrower should:
- Minimize the amount borrowed or charged
  - Shop for the lowest APR
  - Shorten the length of a term loan
  - Pay off revolving accounts as quickly as possible by paying more than the minimum