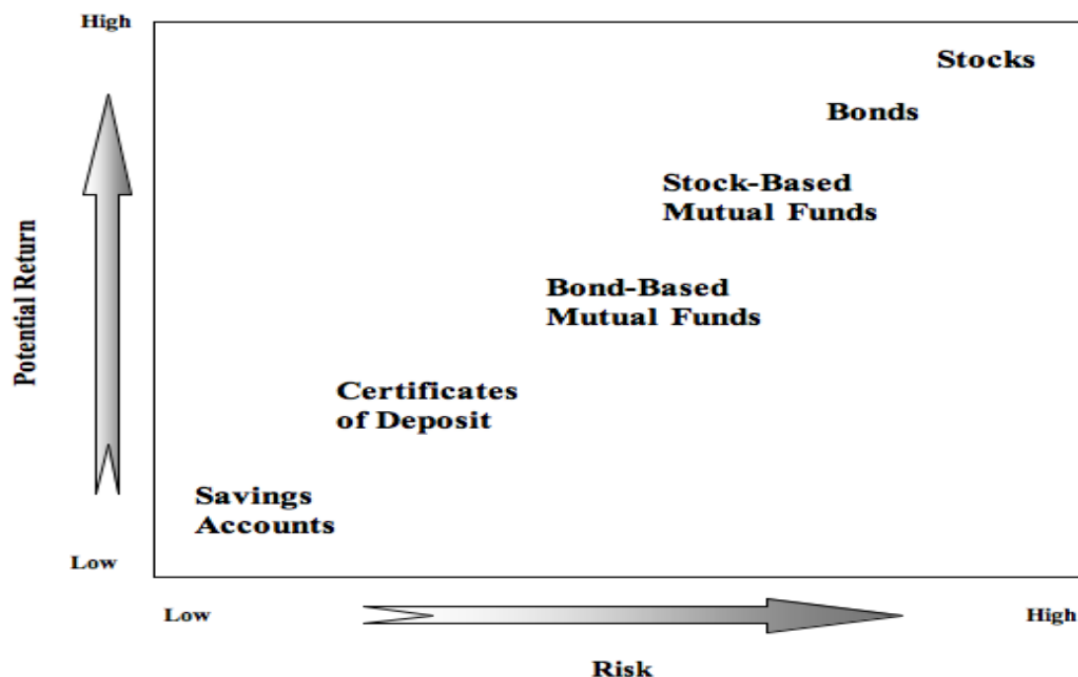


Directions: Complete each part on a separate sheet of paper. You **MUST** choose 3 worksheets out of the 5 units to complete (test grade). Completing all 5 will earn you the test grade plus some extra credit (+5 on a test of your choosing). Completing this will also allow you to retake the personal finance test, if needed.

Section 1: Fill in the blank

1. ____ = reward that a person is likely to receive if he or she behaves in a certain manner.
2. ____ = the amount of money that you owe on money that you have borrowed
3. ____ = financial institutions that receive deposits of money, extend credit, and provide loans.
4. ____ = interest the bank charges them to borrow money.
5. ____ = interest the bank pays them for the use of their money.
6. ____ = cooperative associations that serve only their members; offer checking and savings accounts, as well as grant loans
7. ____ = shares in a company that an individual/organization purchases giving that person/entity part ownership.
8. ____ = loans to either a company or the government.
9. ____ = pool money from a number of investors to buy a range of stocks.
10. ____ = tax that imposes a higher percentage of taxation on persons with high incomes than on those with low incomes. (example: Federal Income Tax)
11. ____ = tax that imposes a higher percentage rate of taxation on low incomes than on high incomes. (example: sales tax)
12. ____ = tax that imposes the same percentage of taxation on everyone, regardless of income. (example: F.I.C.A. Social Security and Medicare)
13. ____ = a rate that is applied only to the value of the principal.
14. ____ = the amount of money that has been borrowed.
15. ____ = is interest applied to both the principal and the interest. (you pay interest on interest)
16. ____ = provides a policy-holder with income in the event that they become disabled and unable to work.
17. ____ = pays if you are held financially liable (responsible) for an accident
18. ____ = covers a policy holder (usually businesses) for a wide range of disasters
19. ____ = exempts the insurer from paying initial specific amount in the event that the insured sustained a loss.
20. ____ = payment for insurance

Section 2: Risk and Return diagram



21. What type of investment has the potential for a high reward but involves a lot of risk?
22. What type of investment carries little risk but offers little reward?
23. Why are mutual funds for stocks safer (lower risk) than just buying stocks?

Section 3: Business plans

24. What type of business is easy to start up but runs the risk of not earning a lot of money and eventually shutting down?
25. What type of business has the potential to earn a lot of money and last for a very long time?

Type	Description	Advantages	Disadvantages
Sole proprietorship	a business owned and run by one person	Easy to start; All decision making power belongs to the owner; Profits are taxed once	the owner is personally and fully responsible for all losses and debts of the business; usually ends with death or retirement of owner
Partnership	a business jointly owned by two or more persons	Benefit of specialization; Profit taxed only once	Partners face unlimited liability; Decision making can be complex (limited life); Owners share profits and costs
Corporation	a form of business recognized by law as a separate legal entity having all the rights of an individual.	stockholders are not personally responsible for all losses and debts of the business; Business has a long life span; Usually able to raise large sums of money	the profits that the company makes are taxed twice; Corporations are complicated to set up