

Economics II
Chapter 4 Review

Match each term on the left with a definition on the right. Write the letter of the definition on the line next to the term.

- | | |
|----------------------------|---|
| _____ 1. timecard | a. an amount withheld from an employee's wages |
| _____ 2. gross pay | b. type of employee who does not receive overtime for excess hours |
| _____ 3. tip | c. fixed compensation that is paid for services on a regular basis |
| _____ 4. exempt | d. form completed to determine the amount withheld from wages |
| _____ 5. piecework | e. gratuity paid in appreciation for services provided |
| _____ 6. annual wage | f. income for a single day |
| _____ 7. salary | g. income for an entire year |
| _____ 8. minimum wage | h. take-home pay after any amounts have been withheld |
| _____ 9. payroll deduction | i. percentage of sales or profit from items or services sold |
| _____ 10. daily wage | j. record of the number of hours an employee works |
| _____ 11. FICA | k. the hourly rate below which employers may not pay employees for certain kinds of employment |
| _____ 12. W-4 | l. total wages for a pay period before deductions, reductions, and taxes have been subtracted |
| _____ 13. commission | m. work for which a laborer is paid on the basis of the amount of work done |
| _____ 14. net pay | n. act that stipulates that employers are required to withhold funds from wages for social security |

Word Bank

Money Market

Universal Life Insurance

Treasury Bill

Savings Account

Individual Retirement Account

Mutual Fund

Certificate of Deposit

Corporate Bond

Treasury Note

Stock

401 K

Cafeteria Plan

1. _____ – This is a coupon issued by the federal government at a discount off the face value in denominations from \$100 to \$1,000,000. Maturation dates range from 2 to 10 years and interest is paid on a yearly basis. They are not worth their face value until they “mature,” or reach the end of the term agreed upon.

2. _____ – Employees can have some of their paycheck set aside before income taxes are calculated into this type of account; some employers match part or all employee contributions. Money in the account is invested on behalf of the employee, and the funds can grow if the investments do well. If not, these accounts can lose value.

3. _____ – This is a personal bank account to which money can be easily deposited and withdrawn. The money earns small amounts of interest monthly based on how much is in the account, and usually no minimum balance required.

4. _____ – Similar to a Treasury note or bill, these are not backed by the federal government but are issued by a private company.

5. _____ – Part of the premiums (monthly payments) for this life insurance policy are collected as cash value. Interest is then earned on the accumulated cash, which can be borrowed, cashed in, or added to the death benefit when the insured person dies.

6. _____ are issued by banks; the investor deposits a fixed sum of money for a defined period of time (as short as a few months or as long as many years). If the money is withdrawn before the date of maturity, fees are charged. CD's usually pay higher interest rates than savings accounts or money markets.

7. _____ – This coupon issued by the federal government is sold at a discount off the face value and matures in a year or less. No interest is paid until the maturity date.

8. _____ – This employer-based program allows people to set aside earnings before income taxes are calculated into an account that can be used to pay child care or medical bills.

7. _____ – Investors can buy these shares of ownership in a corporation, earning money when the stock is sold at a higher price per share than it was purchased. If the selling price is below the purchase price, money is lost.

2. _____ – Thousands of small investors' money is pooled together and invested in the stock market. The rate of return is relatively low because the risk of losing large amounts of money is low; but money can be lost as when investing in stock.

1. _____ – Similar to a savings account, but these have a minimum (or higher minimum) balance. Limited withdrawals can be made over a period of time, and it pays higher interest than a savings account, depending upon the account balance.

2. _____ – Also known as a type of “annuity,” money can be set aside for retirement (individually without an employer) in an account. The money is then invested, but the owner is guaranteed not to lose their original investment; returns generally lower since the account is less risky than a 401K.

Economics Summary

Microeconomics – Individual decision making

Macroeconomics – Societal decision making

Inflation – Occurs when prices rise because there is too much money in circulation and not enough goods and services to spend it on.

Recession – Occurs when prices go so high that people either can not or will not pay the high prices. Demand goes down and the economy declines as well.

Depression – Occurs when a recession fails to recover after an extended period of time.

Inflation and recession are phases of a continuous economic cycle.

Federal Reserve – The government body charged with the responsibility of controlling monetary policy.

Rule of 72

72 divided by the annual percent

Will let you know how many years it will take for something to double in value

Credit Score

FICO

Fair Issac Corporation

300-850

Average 687

745 or below may not qualify for loan

FDIC

Federal Deposit Insurance Corporation

Up to \$250,000 protected

ATM

Automated Teller Machine

PIN

Personal Identification Number

Name _____
Financial Rules of Thumb

Date _____
Period _____

1. Bank your raises.
2. Never co-sign a loan
3. Buy low and sell high.
4. Save at least 10% of your net income.
5. Always take an employer match on a 401K.
6. No one cares as much about your money as you do.
- ~~7. Long-term, the stock market averages about 10% return.~~
8. Your emergency fund should cover 6 months of expenses.
9. You should aim to save 20 times your annual income for retirement.
10. Save for your retirement before saving for your children's college education.
11. Refinance your home when interest rates have dropped by 1% from your current mortgage.
12. When getting a new mortgage, the balance should be less than 2 ½ X your family's annual income.
13. Automatically, send your mortgage company an extra principal payment every year. Depending on your interest rate, you will cut out between 5-7 years of a 30 year mortgage.
14. Credit Cards: Pay debts from highest interest rate to lowest. If you carry a balance, you want a card with a low interest rate. If you do not carry a balance, you want a card with rewards. Never pay an annual fee.
15. If you win the lottery, immediately hire a lawyer. Take the payment in one lump sum minus taxes. Do not quit your job for at least a year. Use 2% of the winnings to treat yourself. Put the rest in a safe place and try to ignore it for six months. Hire a financial adviser to help you invest your money, so it will last your lifetime. And finally, do not forget about your favorite teacher!

Name _____ Date _____

Student Activity 11.1

The "Rule of 72" is a reliable guide to the impact of inflation. It is based on dividing 72 by the annual inflation rate to find out the number of years it will take the price of something to double. For example, if you bought an antique chair for \$100, and the annual inflation rate is 5 percent, how long would it take for the chair to be worth \$200? Using the Rule of 72, divide 72 by 5 and get 14.4. It would take about 14 years for the chair's worth to double.

At the different inflation rates given below, calculate the number of years it will take to double the product purchase price.

1. If you bought a house for \$150,000 and the annual inflation rate was 4 percent, how long would it take before the house, under good maintenance, would be worth \$300,000?

2. If you bought a Picasso painting at last week's auction for \$200,000 and the annual inflation rate is 10 percent, how long would it take to double your money?

3. If you went to the car show and bought a 1965 Mustang in mint condition for \$25,000 and the annual inflation rate was 8 percent, when would your investment double?

4. If your grandmother gave you her wedding ring, it was appraised at \$1,200, and the annual inflation rate was 6 percent, how many years would it be before it was worth \$2,400?

5. If you bought an antique lamp for \$3,000 and the inflation rate was 3 percent, how many years would it be before your investment doubled in value?

Name _____ Date _____

Matching Quiz: Economic Terms

Place the letter of the definition in Column B on the blank next to the corresponding term in Column A.

COLUMN A**COLUMN B**

- | | |
|---------------------------|--|
| _____ 1. bank | A. a severe recession |
| _____ 2. recession | B. to make coins |
| _____ 3. interest | C. any item that can be bought or sold |
| _____ 4. consumer | D. resource that is replaceable |
| _____ 5. good | E. institution for saving and lending |
| _____ 6. loan | F. fee paid when you borrow money and earned when you save it |
| _____ 7. mint | G. how people use goods and services to satisfy their wants and needs |
| _____ 8. Federal Reserve | H. buyer of a good or service |
| _____ 9. demand | I. the quantity of goods or services available for sale |
| _____ 10. interdependence | J. to lend out money temporarily |
| _____ 11. supply | K. over-supply |
| _____ 12. consumption | L. time when there is too little money in the economy |
| _____ 13. renewable | M. the amounts that money is printed in |
| _____ 14. scarce | N. hard to find; not enough to meet demand |
| _____ 15. denominations | O. time when there is too much money in the economy, resulting in higher prices |
| _____ 16. inflation | P. the study of the production and distribution of wealth |
| _____ 17. resource | Q. someone who makes goods or provides services |
| _____ 18. service | R. resource that cannot be replaced once it is used up |
| _____ 19. nonrenewable | S. people who want to buy a good or service |
| _____ 20. economics | T. anything used to produce a good or service |
| _____ 21. depression | U. the main regulator of banks in the United States |
| _____ 22. surplus | V. the way production and consumption of goods and services is divided among many different people |
| _____ 23. producer | W. any action that one person or group performs for another in exchange for payment |

\$\$ Reviewing Terms\$ \$\$

Crossword Puzzle Word Bank

Across

Asset
ClosingCosts
Endorse
Internship
Recession
Tuition

Benefits
CreditReport
IdentityTheft
LoanOfficier
Retailer
Withdrawn

Budget
Deceptive
Insurance
Mortgage
Salary

Commission
Economy
Interest
Payscale
Scam

Down

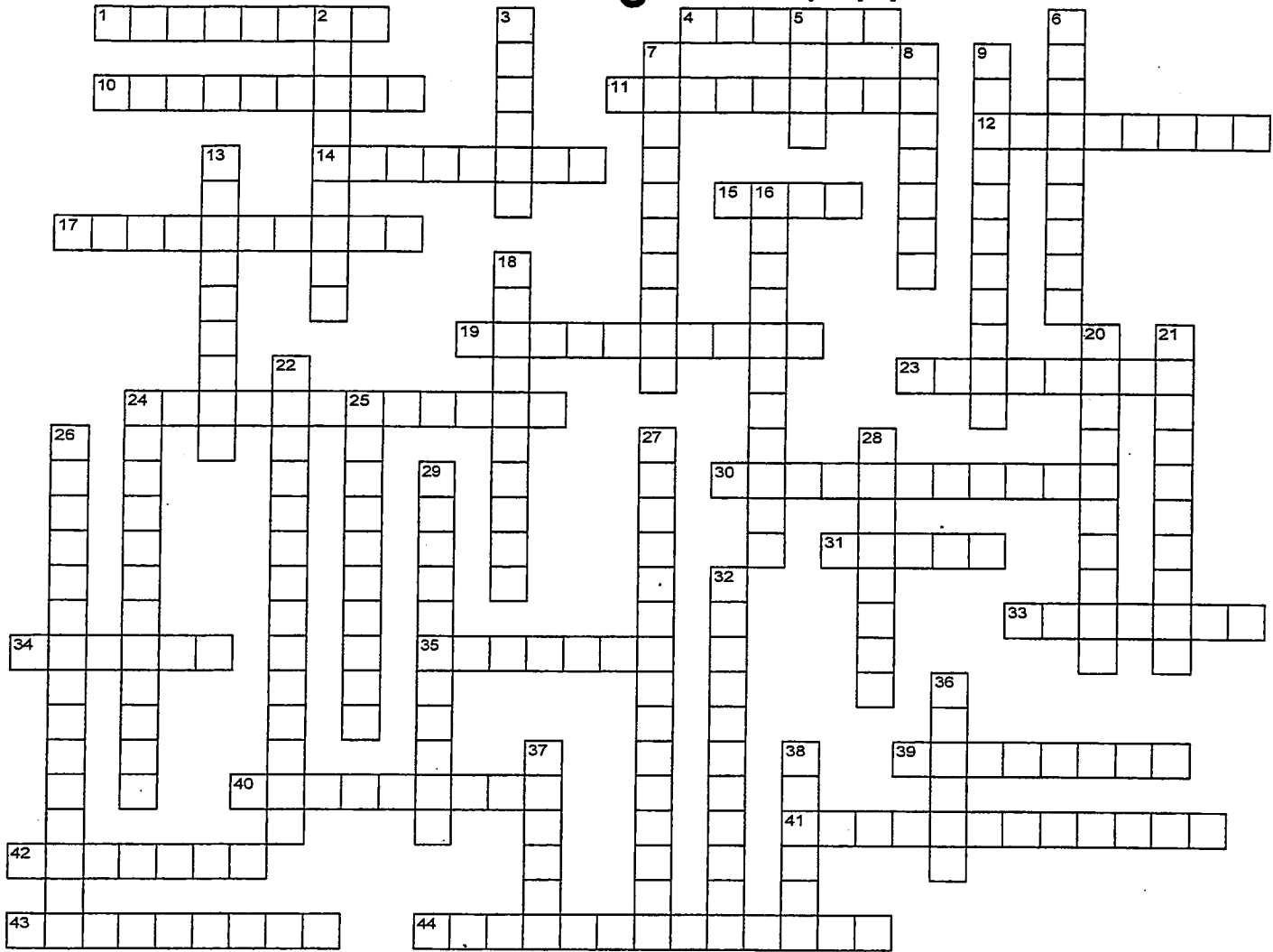
Bankruptcy
Credit
DownPayment
Investment
PersonalFinance
Return

Career
CreditRating
Foreclosure
Liability
PovertyRate
Statement

CheckingAccount
CreditScore
Goal
LivingExpenses
Reflection
Utilities

Consumer
Deposit
Income
Maturation
Retirement

\$\$ Reviewing Term\$ \$\$



ACROSS

- 1 salary list based on education, experience, etc.
- 4 plan for spending
- 10 money taken out of an account
- 11 protection against theft, harm, illness, death, etc.
- 12 store or business that sells to the public
- 14 charge for borrowed money
- 15 scheme to swindle people
- 17 money paid for percentages of sales
- 19 position for learning a profession
- 23 money borrowed to buy a house
- 24 statement of a person's credit score
- 30 one who makes decisions about loan applications
- 31 factor that contributes to meeting a goal
- 33 financial activity of a nation, etc.
- 34 pay at regular intervals over a year
- 35 fees for schooling
- 39 employer-paid insurance, day care, etc.
- 40 misleading
- 41 fees and other costs at the time money is borrowed
- 42 recommend
- 43 period of a poor economy
- 44 crime of using personal information to steal

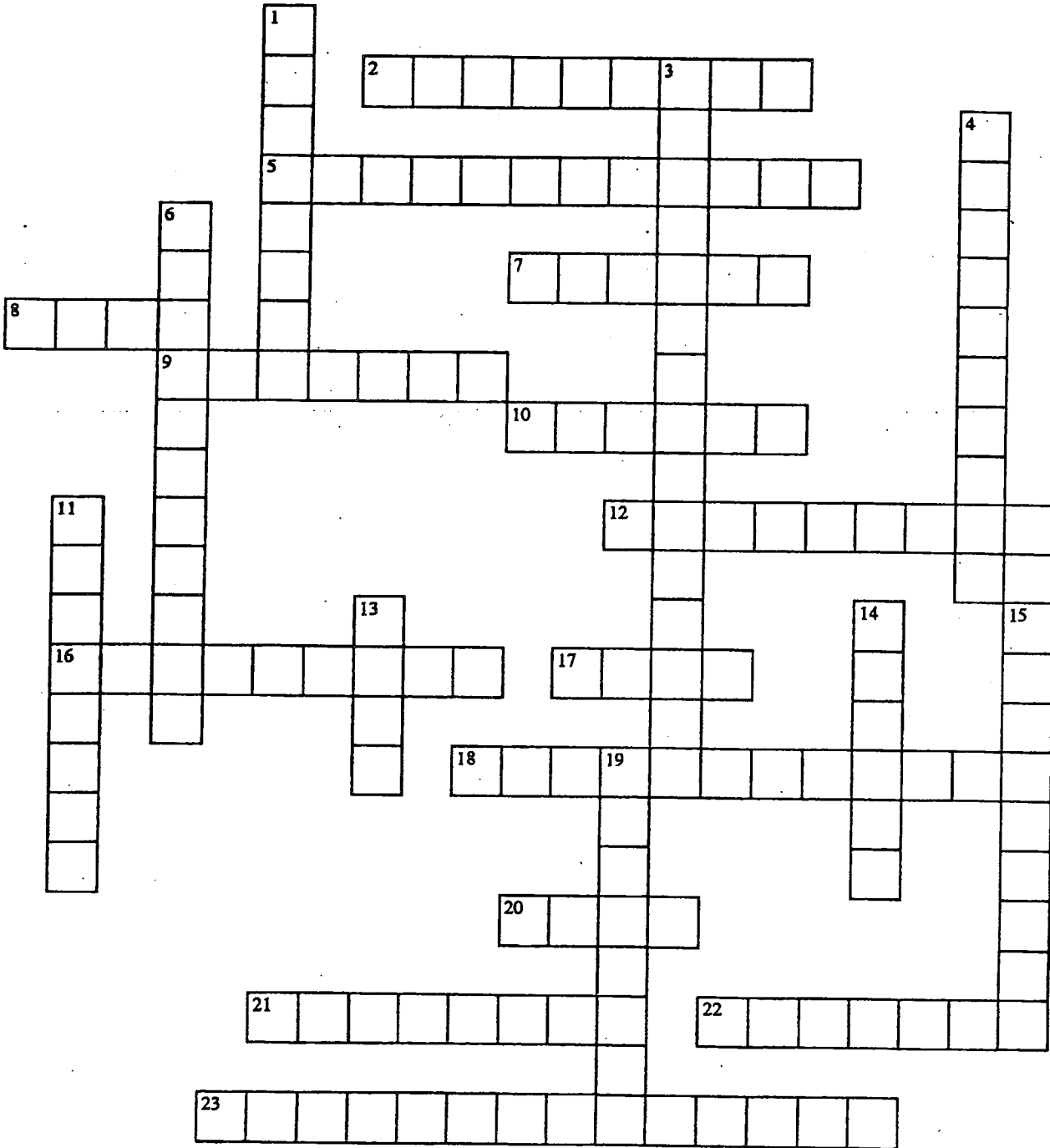
DOWN

- 2 factor that stands in one's way of achieving goals
- 3 occupation
- 5 to be achieved
- 6 itemized list of account information
- 7 money spent in hopes of future earnings
- 8 money put into an account
- 9 loss of a home due to failure to pay the mortgage
- 13 gas, electricity, and water
- 16 3-digit summary of one's finances and payment history
- 18 court proceeding to settle with creditors for one who cannot pay debts
- 20 end of an investment period
- 21 means of learning from the past
- 22 bills and day-to-day costs
- 24 evaluation of a person's spending history and habits
- 25 time when a person no longer works for a living
- 26 money decisions a person makes that affect security
- 27 day-to-day bank account
- 28 one who buys goods or services
- 29 percentage of the poor
- 32 money paid toward a credit purchase
- 36 buy now; pay later
- 37 profit on an investment
- 38 money earned from work

Name _____ Date _____

Economic Crossword Puzzle

Use the clues on page 27 to complete the crossword puzzle below.



Name _____ Date _____

Economic Crossword Puzzle—Clues**ACROSS**

2. situation that occurs when there is too little money in the economy
5. amount printed on money
7. opposite of plentiful
8. money borrowed temporarily that must be paid back, usually plus interest
9. over-supply
10. the number of items available for sale
12. situation that occurs when there is too much money in the economy
16. the study of money
17. place to save and borrow money
18. not replaceable
20. any item that can be bought or sold
21. buyer
22. any action that one person or group does for another in exchange for payment
23. the main bank of the United States

DOWN

1. maker of goods or services
3. the way production and consumption of goods and services are divided among many different people and groups
4. a severe recession
6. the way we use goods and services
11. fee paid by the borrower of money and the fee paid to the saver of money
13. to make coins
14. the number of people who want to buy a good or service
15. replaceable
19. anything used to produce a good or service that will satisfy our wants and desires

Word Bank

bank	demand	resource
recession	interdependence	service
interest	supply	nonrenewable
consumer	consumption	economics
good	renewable	depression
loan	scarce	surplus
mint	denomination	producer
Federal Reserve	inflation	

To the teacher: For a more challenging puzzle, fold paper on the dotted line before copying.