NAME: _______________________________ SCORE: ________/50 points

Matching: Read each statement carefully. Select the term that best matches the statement by writing the letter of the matching term in the blank. [1 point each]

____ 1. A type of income investment
   A. Asset
   B. Compounding
   C. Diversification
   D. Dollar Cost Averaging
   E. Rate of Return
   F. Savings Account
   G. Stock
   H. Stock Exchange
   I. Time Value of Money
   J. Windfall

____ 2. A type of growth investment

____ 3. Earning interest on previously earned interest plus the principal amount
   A. Asset
   B. Compounding
   C. Diversification
   D. Dollar Cost Averaging
   E. Rate of Return
   F. Savings Account
   G. Stock
   H. Stock Exchange
   I. Time Value of Money
   J. Windfall

____ 4. Spreading your money among different savings and investments
   A. Asset
   B. Compounding
   C. Diversification
   D. Dollar Cost Averaging
   E. Rate of Return
   F. Savings Account
   G. Stock
   H. Stock Exchange
   I. Time Value of Money
   J. Windfall

____ 5. A system where the public can buy or sell stock shares
   A. Asset
   B. Compounding
   C. Diversification
   D. Dollar Cost Averaging
   E. Rate of Return
   F. Savings Account
   G. Stock
   H. Stock Exchange
   I. Time Value of Money
   J. Windfall

____ 6. Something of value that can be changed into cash
   A. Asset
   B. Compounding
   C. Diversification
   D. Dollar Cost Averaging
   E. Rate of Return
   F. Savings Account
   G. Stock
   H. Stock Exchange
   I. Time Value of Money
   J. Windfall

Multiple Choice: Read each item carefully; then select the best answer. [1 point each]

____ 7. The time value of money can best be explained using which one of the following concepts?
   a. A dollar today is worth more than a dollar tomorrow.
   b. Take time to “pay yourself first.”
   c. Investments increase in risk over time.
   d. Compounding increases investments over time.

____ 8. Koneta has money saved and invested several ways with a goal to grow her money at a rate higher than inflation. What is the historical long-term annual average rate of inflation?
   a. 1%
   b. 3%
   c. 5%
   d. 7%
9. As Koneta decides how to invest her money, which one of the following options is most likely to grow at a rate higher than inflation?
   a. mutual fund
   b. real estate
   c. savings account
   d. U.S. savings bond

10. Monica starts a mutual fund with $500 and adds $500 to her mutual fund every year for another nine years. Mason decides to wait 10 years so he can save up a lump sum of $5,000 to invest at one time in a mutual fund. If both Monica and Mason earn on average of 7 percent APY, who will have the larger mutual fund balance in 20 years?
   a. Mason
   b. Monica
   c. They will have the same balance amount because they each invested the same amount at the same rate.
   d. There is not enough information presented to make a prediction.

11. Given the same principal amount and interest of 1.3 percent APY for all options below, which option will earn the most interest over three years?
   a. certificate of deposit that has interest compounded daily
   b. savings account that earns interest compounded quarterly
   c. savings bond that has interest compounded twice a year
   d. All of the above will earn the same amount of interest.

12. The basic rule of a risk-to-return relationship is that ...
   a. the lower the risk, the higher the return rate.
   b. the higher the risk, the higher the return rate.
   c. the higher the risk, the lower the return rate.
   d. the two issues are not related.

13. Kyle isn’t willing to take much risk with his money as he sets money aside to use when he buys a car next year. Which one of the following types of investments potentially has the lowest investment risk while also growing in value?
   a. collectibles
   b. real estate
   c. savings account
   d. stocks
14. Kendra just received a promotion with a nice raise. She has her spending plan under control, so she decides to adjust her long-range investing plan now that she can take on more investment risk. Which one of the following types of investments potentially has the highest risk and is most likely a higher rate of return for Kendra?
   a. government bonds
   b. money market deposit account
   c. savings bonds
   d. stocks

15. Which statement below is true about mutual funds?
   a. Mutual funds are convenient and professionally managed.
   b. Mutual funds only include stock funds.
   c. Mutual funds offer guaranteed returns.
   d. You can choose which stock to include in a mutual fund collection.

16. Which one of the follow is not an example of investing?
   a. buying a business to open an ice cream shop
   b. buying a car to get to work
   c. buying rental property
   d. buying a tow truck with a blade to start a towing and snow removal service

**Ranking:** For the next two problems, use what you learned in this module and consider current trends to rank the investment options.

17. In the left column, rank the investments highest (#1) to lowest (#5) to show how they compare according to the potential for return. [4 points]

<table>
<thead>
<tr>
<th>Potential for Earnings on Investment</th>
<th>Investment Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest Potential Return = 1</td>
<td>Balanced Mutual Fund</td>
</tr>
<tr>
<td>Lowest Potential Return = 5</td>
<td>Certificate of Deposit</td>
</tr>
<tr>
<td></td>
<td>Money Market Deposit Account</td>
</tr>
<tr>
<td></td>
<td>Start-Up Stock</td>
</tr>
<tr>
<td></td>
<td>U.S. Savings Bond</td>
</tr>
</tbody>
</table>
18. In the left column, rank the investments highest (#1) to lowest (#5) to compare the risk of the investments. [4 points]

<table>
<thead>
<tr>
<th>Potential for Uncertainty of Anticipated Return on Investment</th>
<th>Investment Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest Potential Risk = 1</td>
<td>Collectible</td>
</tr>
<tr>
<td>Lowest Potential Risk = 5</td>
<td>Corporate Bond</td>
</tr>
<tr>
<td></td>
<td>Mutual Fund</td>
</tr>
<tr>
<td></td>
<td>Savings Account</td>
</tr>
<tr>
<td></td>
<td>Stock (in one company)</td>
</tr>
</tbody>
</table>

True/False: Read each statement carefully. Show whether the statement is True (T) or False (F) by writing either “T” or “F” in the blank space. [1 point each]

___ 19. If you buy Hershey stock, you share ownership in the company and you can vote on the types of chocolate that will be produced.

___ 20. Three steps to build wealth include 1) Have enough income to invest, 2) Make a plan, and 3) Put money to work by investing.

___ 21. Minors have to wait until they are adults before they can buy and stocks and bonds.

___ 22. The best time to start investing is after working on a job full-time for at least five years.

___ 23. Although he is only 17, Sean can invest in a retirement fund because he earns income from his summer job at the health club.

___ 24. Most wealthy people have gained their fortunes by winning the lottery or inheriting a large sum of money.
Short Answer: Read each item carefully; then write an answer based on what you learned about saving and investing in Module 4: Investing.

25. What is the difference between saving and investing? [2 points]

   a. ______________________________________________________________________________________
   
   b. ______________________________________________________________________________________

26. List two reasons to save money in a bank or credit union savings account rather than hiding it in an envelope in your room. [2 points]

   a. ______________________________________________________________________________________
   
   b. ______________________________________________________________________________________

27. On $500 earning 5 percent APY, calculate the ending balance after two years if interest is compounded semiannually. [4 points—show your work for partial credit]
Module 4: Investing

28. Label or describe at least four of the five elements of the TWTR stock quotation below. [4 points]

<table>
<thead>
<tr>
<th>NYSE</th>
<th>TWTR</th>
<th>Bid: 64.90</th>
<th>Ask: 65.19</th>
<th>Last: 64.50</th>
</tr>
</thead>
</table>

29. Give two reasons why investment experts recommend diversifying investments. [2 points]
   a. ____________________________________________________________________________________
   b. ____________________________________________________________________________________

30. Along with diversifying investments, what are two other recommended investing practices? [2 points]
   a. ____________________________________________________________________________________
   b. ____________________________________________________________________________________

31. List two strategies that a new investor should avoid when investing. [2 points]
   a. ____________________________________________________________________________________
   b. ____________________________________________________________________________________

32. Explain the dollar cost averaging investing strategy by writing a narrative description or by creating an example. [2 points]