



Matching

Match the definition in Column A with the term in Column B.

Column A

- _____ Financial obligations you owe someone.
- _____ Difference between what you own and owe.
- _____ Outlines an individual's financial position.
- _____ Items owned that have financial value.
- _____ Owning more than an item is worth.
- _____ The value of assets minus liabilities.

Column B

- a. Assets
- b. Liabilities
- c. Balance sheet
- d. Equity
- e. Negative Equity
- f. Net Worth

Multiple Choice

1. Which of the following best represents an example of an asset increasing in value over time?
 - a. A new car's value after purchase
 - b. Money in a high-interest savings account
 - c. An increasing balance on a credit card
 - d. A loan taken out for a vacation
2. Which of the following is an example of a liability?
 - a. A savings account balance
 - b. A loan taken out to buy a car
 - c. A valuable stamp collection
 - d. Shares in a publicly traded company
3. Which of the following items would you typically find on a balance sheet?
 - a. A list of monthly expenses like groceries and utilities
 - b. The total amount of money earned from a part-time job
 - c. A summary of financial goals for the next five years
 - d. The value of a savings account and the balance on a student loan
4. Which of the following scenarios typically increases net worth?
 - a. Taking out a student loan for college
 - b. Paying off a portion of your mortgage
 - c. Using a credit card for daily expenses
 - d. Borrowing money to invest in a depreciating asset

Application

Layla has been saving money from her part-time job and has \$5,000 in her savings account. She also owns a laptop worth \$1,000 and a bicycle worth \$300. However, she owes \$2,000 on a student loan and \$500 on her credit card. Layla wants to buy a used car for \$3,000.

Question: If Layla buys the car with her savings, calculate her new net worth and explain how this purchase affects her financial position. Consider the car as an asset in your calculation.



Understanding Assets & Liabilities | Answer Key

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- e. Owing more than an item is worth.
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Application Answer

Students should calculate the initial net worth

$$\text{Assets: } \$5,000 + \$1,000 + \$300 = \$6,300$$

$$\text{Liabilities: } \$2,000 + \$500 = \$2,500$$

$$\text{Net Worth} = \$6,300 - \$2,500 = \$3,800$$

After purchasing the car, Layla's new net worth

$$\text{Assets: } \$3,000 \text{ (car)} + \$1,000 \text{ (laptop)} + \$300 \text{ (bicycle)} = \$4,300$$

$$\text{Liabilities remain the same} = \$2,500$$

$$\text{New Net Worth} = \$4,300 - \$2,500 = \$1,800$$

The purchase decreases her net worth but also adds a new asset (the car).