Borrowing Money | Worksheet

Matching

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

Column A

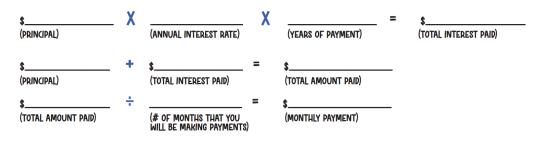
- _____ Money paid in advance to lower the amount borrowed
- _____ An extra fee charged for borrowing money
- _____ A word for the amount of money borrowed
- _____ A type of loan backed by other assets
 - _____ Something valuable you own that secures a loan

Multiple Choice

- 1. True or False: Borrowing money is always a bad idea.
 - a. True
 - b. False
- 2. What is the annual interest on a \$1,000 loan with a 5% interest rate?
 - a. \$5
 - b. \$50
 - c. \$500
 - d. \$5,000
- 3. How do banks make money on loans?
 - a. They ask for tips
 - b. They charge interest
 - c. They charge for appointments
 - d. They don't make money on loans
- 4. Which of the following is NOT good advice when borrowing money?
 - a. Only take out a loan for a large and necessary purchase or investment
 - b. Only take out a loan if you know you can repay it without undue stress
 - c. Don't borrow money for a term that will last longer than the item you buy
 - d. Don't borrow money unless you know the bank manager personally

Application

You've decided to buy a used car for \$10,000 by taking out a loan with an annual simple interest rate of 6% that you agree to pay back over 3 years. What is the total amount you will have paid at the end of the 3 years?





- a. Secured Loan
- b. Down Payment
- c. Interest
- d. Principal
- e. Collateral





Borrowing money | Answer Key

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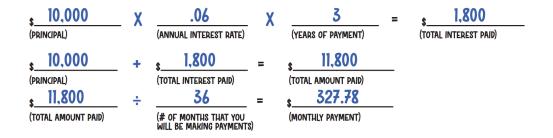
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Column B

- a. Secured Loan
- b. Down Payment
- c. Interest
- d. Principal
- e. Collateral