# **Borrowing Money | Worksheet**

# Matching

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

Column A

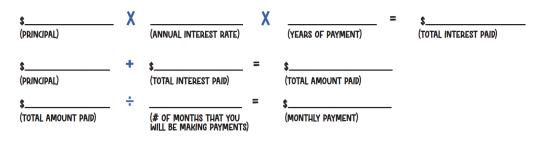
- \_\_\_\_\_ Money paid in advance to lower the amount borrowed
- \_\_\_\_\_ An extra fee charged for borrowing money
- \_\_\_\_\_ A word for the amount of money borrowed
- \_\_\_\_\_ A type of loan backed by other assets
  - \_\_\_\_\_ Something valuable you own that secures a loan

## **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**

#### Matching

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

#### Column A

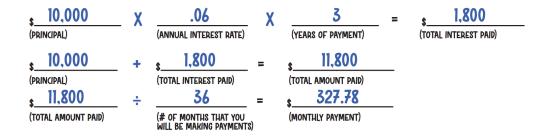
- b. Money paid in advance to lower the amount borrowed
- c. An extra fee charged for borrowing money
- d. A word for the amount of money borrowed
- a. A type of loan backed by other assets
- e. Something valuable you own that secures a loan

#### **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?



#### Column B

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