

Name:  
Unit 1 Topic 1 Quiz

Date:

1) Match each term with the appropriate description:

- |                 |  |
|-----------------|--|
| 1. Wealth       | a. Stores value  |
| 2. Liabilities  | b. Represents a commitment to a future payment             |
| 3. Asset        | c. When something you own increases in value               |
| 4. Income       | d. An increase in wealth                                   |
| 5. Expense      | e. A measure of your ability to consume                    |
| 6. Net Worth    | f. The difference between your assets and your liabilities |
| 7. Appreciation | g. A decrease in wealth                                    |

2) You love going to the movies at least once a week. On January 1<sup>st</sup> You buy a movie pass which allows you to see a free movie each day for one year. The pass is linked to your name and cannot be sold or transferred to a friend. Is it still an asset? Explain your answer.

*Yes: it reduces your expenses, since you will not have to pay to see a movie for the rest of the year.*

3) Give an example of an item that you can buy that can act as both an expense and an asset acquisition depending on its use. Explain how it can be an expense. Explain how it can be an asset.









*Sneakers can be purchased and resold (acting as an asset), or consumed (acting as an expense).*

4) Your friend asks you to hold on to a special \$1000 bill for her when she leaves on vacation. She doesn't feel comfortable keeping it in her home while she's away. How does this affect your wealth?

*It doesn't affect your wealth. You gained cash but you also gained an equivalent liability.*

5) In the left hand column are descriptions of financial transactions, which you must evaluate:

- In the first column, Cash Balance, decide whether cash balance goes up (U), down (D), or stays the same (S) in the transaction, and circle the correct letter.
- In the remaining columns, decide what kind of transaction this is, and check the box(es) that apply – but be careful, there may be more than one.

Situation	Cash Balance	Earning income	Acquiring (non-cash) asset	Incurring expense	Increasing liabilities	None
a. You shovel snow for your neighbor in exchange for \$20	U / D / S					
b. In exchange for getting good grades your uncle gives you a new video game	U / D / S					
c. Having forgotten your wallet, you borrow \$7 from a friend to buy lunch	U / D / S					
d. You buy a collectable LeBron James trading card for \$9	U / D / S					
e. You buy sneakers and use them to run 1 mile everyday	U / D / S					
f. You bid on a designer purse on eBay very late at night and win the auction, paying \$300 less than the purse is worth.	U / D / S					

6) Give an example of a transaction in which your income increases but you are not paid a wage.

*Many cases, e.g.: Earning interest; asset appreciation; gift; theft*

7) Give an example of a transaction in which the cash you possess increases but your wealth remains the same.

*Many examples: You take out a loan, you borrow money from a friend, you sell an asset for a fair price*

8) Give an example of a transaction in which you incur an expense without a decrease in your available cash.

*Many examples: When you use a consumable asset you lose wealth hence you incur an expense*