

CHAPTER

19

Personal Banking and Investments

Part 1: Content Review

Matching

Write the letter of the correct term for each definition on the line provided.

Terms

- | | |
|-------------------|-------------------------------|
| A. savings plan | F. money market account (MMA) |
| B. overdraft | G. investing |
| C. money order | H. diversification |
| D. payee | I. mutual fund |
| E. bank statement | J. estate |

- _____ 1. A record of checks, ATM transactions, deposits, and charges on an account.
- _____ 2. The person, business, or organization to whom a check is written.
- _____ 3. Purchasing a financial product or valuable item with the goal of increasing wealth over time in spite of possible loss.
- _____ 4. The process of spreading risk by putting money in a variety of investments.
- _____ 5. A check written for an amount greater than the balance of the account.
- _____ 6. Consists of the assets and liabilities a person leaves when he or she dies.
- _____ 7. An investment created by pooling the money of many people and investing it in a collection of securities.
- _____ 8. A type of savings account that requires a higher minimum balance than a regular savings account, but offers a higher interest rate.
- _____ 9. A strategy for using money to reach important goals and to advance financial security.
- _____ 10. A payment order for a specific amount of money payable to a specific payee.

Multiple Choice

Place the letter of the correct answer to each question on the line provided.

- _____ 1. Using a debit card has the same result as _____.
A. using a credit card
B. writing a check
C. borrowing money
D. saving money
- _____ 2. Which of the following is an example of a banking service?
A. Safe-Deposit Box
B. Loan
C. Special Payment Service
D. All of the above.
- _____ 3. Which of the following is *not* required to open a checking account?
A. Credit report
B. Signature
C. Personal identification
D. Social Security number
- _____ 4. When a customer has _____, a financial institution will honor a check even if it exceeds the account balance.
A. a stop-payment order
B. been loyal
C. overdraft protection service
D. many accounts
- _____ 5. Reconciling a bank statement means comparing the _____.
A. check register to the checking account
B. check register to the savings account
C. savings account to the checking account
D. credit card to the debit card
- _____ 6. A _____ requires a fixed deposit amount for a fixed period of time.
A. basic savings account
B. high-yield savings account
C. money market account (MMA)
D. certificate of deposit (CD)
- _____ 7. The portion of a company's earnings that is paid to stockholders is a(n) _____.
A. interest payment
B. dividend
C. annuity
D. deposit
- _____ 8. A(n) _____ is a contract with an insurance company that provides regular income for a set period of time, usually for life.
A. 401(k)
B. 401(b)
C. Roth IRA
D. annuity

Name _____

- _____ 9. A retirement program can be sponsored or started by _____.
A. employers
B. individuals
C. the self-employed
D. All of the above.
- _____ 10. A legal document stating a person's wishes for his or her estate after death is a(n) _____.
A. will
B. estate
C. annuity
D. Keogh plan

Completion

In the space provided, write the word(s) that best completes each of the following statements.

- _____ 1. A(n) _____ is a bank account that allows the owner to make deposits, write checks, and withdraw money.
- _____ 2. A(n) _____ is a card that allows the user to electronically access account funds at an ATM and to pay for purchases from a business.
- _____ 3. A bank account used by depositors to accumulate money for future use is a(n) _____.
- _____ 4. A payment order for a specific amount of money payable to a specific payee is a(n) _____.
- _____ 5. A combination savings and checking account is a(n) _____ checking account.
- _____ 6. The signature on the back of a check is a(n) _____.
- _____ 7. A plan to develop investment growth is a(n) _____ plan.
- _____ 8. A(n) _____ is a collection of securities and other assets a person owns.
- _____ 9. Objects purchased for the pleasure of ownership and because they are expected to increase in value are _____.
- _____ 10. An individual retirement account in which individuals contribute after-tax income and qualified withdrawals are not taxed is a(n) _____.

Name _____

Part 2: Concept Review

Open Response

*Write your response to each of the following statements or questions in the space provided.
Use complete sentences.*

1. You are making a large purchase and offer to pay with a personal check. The seller insists on a cashier's check or certified check. Why do you think this is the case?

2. What potential problem might occur if the balance in your check register does *not* match the balance in your checking account?

3. Identify four different types of savings accounts. What are three factors that distinguish these types of accounts from each another?

Name _____

4. What is the difference between a traditional IRA and a Roth IRA?

5. Credit and debit cards are very popular and widely used to make purchases. Compare the advantages and disadvantages of credit and debit cards.

Name _____

Part 3: Math Skills

Adding, Subtracting, Multiplying, and Dividing Fractions

Businesses often use fractions in their business activities. A fraction is a part of a whole. It is made of a numerator that is divided by a denominator:

$$\frac{\text{Numerator}}{\text{Denominator}}$$

The numerator specifies the number of these equal parts that are in the fraction. The denominator shows how many equal parts make up the whole. In a proper fraction, the numerator is less than the denominator. An *improper fraction* is a fraction where the numerator is equal to or greater than the denominator. A *mixed number* contains a whole number and a fraction.

Answer the following problems involving fractions.

1. Fractions must often be added. To add fractions, the numerators are combined and the denominators stay the same. If possible, simplify your answer to the smallest possible fraction. Bounty Best Foods makes a fruit salad that includes $\frac{3}{8}$ pound of grapes, $\frac{1}{8}$ pound of mandarin oranges, and $\frac{3}{8}$ pound of cherries. What is the total weight of the fruit salad?

2. Fractions must have a common denominator in order to be added. When the denominators are different, the fractions must first be converted so the denominators are the same. In some cases, this means calculating the *least common denominators*. To find the least common denominator, list multiples of each denominator and then identify the smallest common value. Once you have the least common denominator, determine what number is multiplied by the denominator to achieve the least common denominator and multiply the numerator by the same number for each fraction. Once all fractions have the same denominator, add the numerators and simplify the answer. For example, to add $\frac{1}{2}$ and $\frac{1}{4}$, first convert $\frac{1}{2}$ to $\frac{2}{4}$. The least common denominator is 4, so $\frac{1}{2}$ must be multiplied by 2 so that both fractions have the same denominator.

Bounty Best Foods makes a bean salad that combines $\frac{3}{8}$ pound of green beans with $\frac{1}{2}$ pounds of wax beans.

- a. What is the least common denominator?

- b. What is the total weight of the bean salad?

Name _____

3. To subtract fractions, the second numerator is subtracted from the first numerator. The denominators stay the same. Fractions can only be subtracted when they have a common denominator. Use the process described in the previous questions to find a common denominator. Simplify your answer.

Green Acres Landscaping prepares a lawn seed mixture consisting of $\frac{7}{8}$ pound of perennial ryegrass and $\frac{3}{8}$ cup of fine fescue. How much more ryegrass is used than fine fescue?

4. Common denominators are not necessary when multiplying fractions. Multiply all of the numerators and multiply all of the denominators. Once completed, simplify the fraction if possible.

Green Acres Landscaping prepares a liquid fertilizer spray using $\frac{3}{8}$ cup of a nitrogen fertilizer with one gallon of water. How much nitrogen fertilizer should be mixed with only $\frac{1}{2}$ of a gallon of water?

5. To divide one fraction by a second fraction, multiply the first fraction by the *reciprocal* of the second fraction. The reciprocal of a fraction is created by switching the numerator and denominator. As always, simplify your answer to the smallest possible fraction.

Green Acres Landscaping has $\frac{5}{8}$ gallon of plant nutrient to fertilize its customers' flower beds. Each flower bed needs $\frac{1}{8}$ gallon of nutrient. How many flower beds can be fertilized?

Name _____

Part 4: Communication Skills

Speaking

An *idiom* is a phrase that is not taken literally, but has a special meaning that is common to a culture. For example, when you “give someone a hand,” it means you give them applause and not a part of your body. Idioms should be avoided in formal business communication. However, they can have a positive impact on your message in less formal situations.

Write the meaning of each of the following idioms in the space provided.

1. A piece of cake.

2. Let the cat out of the bag.

3. Feel under the weather.

4. Down in the dumps.

5. Speak of the devil.

6. It cost an arm and leg.

7. Jump the gun.

8. Don't jump all over me.

9. Raining cats and dogs.

10. You're pulling my leg.

11. Let me sleep on it.

Name _____

12. He's wet behind the ears.

13. When pigs fly.

14. Let's shoot the breeze.

15. Cut corners.
