Year 9 Financial Management

 Revision Booklet

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Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Topics to be Revised**

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| --- | --- |
| **Money and Income** | **Borrowing and Investing** |
| * Needs and wants
* Goods and services
* Barter system
* Characteristics of money
* Functions of money
* Types of Income
* Saving
 | * Types of credit
* Concept of risk and return
* Interest
* Investment options
* Sharemarket
* Credit cards
* Loans and debt
 |

1. Match the correct term with the correct definition.

|  |  |
| --- | --- |
| Wants | These are intangible. They cannot be seen but are provided by other people for you. Eg. Lawn mowing, accountant.  |
| Goods | These are goods that last for a number of years. Eg. Furniture.  |
| Barter | Items we need for survival.  |
| Services | Goods that have a short life span. Eg. Chocolate bar.  |
| Needs | People trading goods of equal or near equal value for another item of equal or near equal value.  |
| Consumer | Items that are referred to as luxuries. They are not essential to survival but help make life more pleasant. These are often unlimited despite money being limited.  |
| Durable Goods | Someone who purchases goods and services to satisfy needs and wants.  |

1. What are the six (6) characteristics of money?
2.
3.
4.
5.
6.
7.
8. Identify which functions of money are being demonstrated in the following circumstances.
9. Susan spots an expensive brand of running shoe reduced in sale ad hands over one of her credit cards in payment
10. Jessica want to buy her first car and spends a day comparing prices offered by a number of car dealerships
11. Teresa and Kim have just bought a house with their savings of $50,000 and a mortgage of $350,000
12. Define the term rate of exchange.

1. Amanda is going on holiday to Greece. She changes £600 into Euros. How many Euros will Amanda receive given an exchange rate of 1£ = 1.25 Euros?

1. On a trip to the USA Neil books into a hotel for 5 nights. The cost of staying in the hotel is USD$ 250 per night. How much would this be in AUD$ for five nights given an exchange rate of 1 USD = 1.5 AUD?

1. Sasha has been living in London for 10 years and is returning to Australia for a visit. She changes £1,000 into Australian Dollars.
2. How many Australian Dollars will she receive at 1£ = 1.2 AUD

1. She spends 800 Australian Dollars while in Australia and then changes the rest back. How many Pounds (£) will she receive?

1. Define the term income and list the two main sources.

1. List the most likely type of income the following individuals are likely to earn.
2. Real Estate Agent
3. Landlord
4. Teacher
5. Accountant
6. Long-term deposit account holder
7. A car salesperson
8. An elderly person
9. A part-time waitress
10. A music band
11. A business owner
12. A university student
13. A car salesperson earns 2% commission on the value of each car that they sell. If they sell three cars worth $25,000 each, how much commission will they receive?

1. Explain the difference between a transaction account and a term deposit account.

1. How long will it take you to double your money if the interest rate is 4.5%?

1. Explain the concept of compound interest.

1. Explain what cash flow is.

1. Calculate whether in the following situation the cash flow is positive, negative or zero.

Income from wages = $1,000

Phone Expense = $60

Rent Expense = $350

Food Expense = $150

Other Expenses = $250

1. In general describe the relationship between risk and rate of return.

1. What is the difference between a Bull Market and a Bear Market?

1. Match the following term with its definition.

|  |  |
| --- | --- |
| Dividend | A risk management strategy that mixes a wide variety of investments within a portfolio.  |
| Diversification | A market where investors purchase securities or assets from other investors, rather than from issuing companies themselves. |
| Sharemarket  | The capital market that deals with issuing of new securities. |
| Shareholder | Company profits paid to shareholders, either in cash or in more shares.  |
| Primary Market | A market for trading shares in listed companies.  |
| Secondary Market  | An individual or firm that owns shares in a company.  |

1. List and describe two factors that can influence a company’s share price.

1. List and describe two factors that can influence the overall sharemarket.

1. a) James purchased 2,000 NAB shares which were trading at $25.78 per share. Calculate the total cost of NAB shares.

b) James later sold the shares when they reached a price of $27.16. Calculate the total amount James received and his total profit.

1. Define the term credit.

1. List and briefly describe the four main types of credit.

a)

b)

c)

1.

1. Complete the following table:

|  |  |
| --- | --- |
| **Advantages of Credit** | **Disadvantages of Credit**  |
|  |  |

1. List and describe the ‘three C’s’ with regard to applying for credit.

1. Using the formula, I (simple interest) = P (principal) x R (interest rate) x T (# of years), calculate the total cost of a new motorcycle which is priced at $12,000 at 6% for 3 years.

1. Explain the difference between a debit and credit card.

1. State whether a debit or credit card was used in the following situations.

|  |  |
| --- | --- |
| Situation  | Type of card |
| Your dog has to go to the vet for a vaccination. Your mum pays with a card. The cost of the visit to the vet shows up on her monthly bill. |  |
| You got the lead in the school play. Your mum stops at the ATM to get $50 from her savings account then takes you to the fabric store to get supplies to make your costume. |  |
| Your family car is hit by someone talking on a mobile phone while driving. Fortunately no one is seriously hurt, but the car has some serious damage. Your mum pays for the repairs with a card. She says, “I sure hope the insurance company pays us soon so we can pay the bill when it comes. I’d hate to have to pay interest on this bill!” |  |

1. If the APR is 30% what is the monthly interest percentage?

1. Using the previous balance method, compute the monthly rate and interest.

|  |  |  |  |
| --- | --- | --- | --- |
| Previous Balance APR  | APR | Monthly Rate  | Interest  |
| $530.50 | 18% |  |  |
| $380.60  | 22% |  |  |
| $335.90  | 12.2% |  |  |

1. Peter has a monthly income of $640. He pays $120 per month for rent. He has a car payment of $125 per month. Peter wants to buy new tyres for his car. The total cost of the new tires is $420. If he uses credit to pay for the tyres, his minimum monthly payment will be $40. If Peter buys the tyres, what percentage of his income, after rent, will he have committed to debt payments?

1. Explain what a payday loan is.