

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

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

Class: \_\_\_\_\_

**1. Banks offer interest as an incentive to customers who open accounts. What does "incentive" mean?**

- a. Encouragement
- b. Punishment
- c. Trick
- d. Gift

**2. Which of these is an opinion about interest?**


- a. Most American banks offer interest rates below 10 percent
- b. Interest can be compounded yearly, monthly, or even daily
- c. An interest rate of 20 percent, compounded monthly, is far too high
- d. Interest is accrued on savings accounts, but rarely checking accounts

**3.  How can you compare simple and compound interest?**

- a. Simple interest is paid on the principal plus accrued interest; compound interest is paid only on the principal
- b. Compound interest is paid on the principal plus accrued interest; simple interest is paid only on the principal
- c. Compound interest is paid out once a month; simple interest is paid out once a year
- d. Simple interest is more difficult to calculate than compound interest

**4. Which of the following statements is true?**

- a. The less money you borrow from a bank, the more interest you pay
- b. The more money you have in a bank, the less interest you accumulate
- c. The more money you borrow from a bank, the less interest you pay
- d. The more money you have in a bank, the more interest you accumulate

**5.  How does charging interest encourage banks to make loans?**

- a. It allows them to make profits by lending money
- b. It ensures that borrowers will pay them back
- c. It discourages people from borrowing money from their friends
- d. It allows banks to pay interest to people with savings accounts

**6. Which of the following is true?**

- a. You pay interest when you borrow money and earn interest when you loan money
- b. You earn interest when you borrow money and pay interest when you loan money
- c. You pay interest both when you borrow and loan money
- d. You earn interest both when you borrow and loan money

**7. If your bank offers 6 percent annual simple interest, and you start with \$60 in your account, how much will you have after one year?**

- a. \$70.00
- b. \$66.30
- c. \$63.60
- d. \$66.00

**8. Your bank offers 6 percent annual interest, compounded monthly. If you start with \$500 in your account, how much will you have after 3 months?**

- a. \$501.50
- b. \$507.54
- c. \$590.00
- d. \$595.51

**9. What can you infer about compound interest from the information presented in the movie?**

- a. It's not worth calculating unless you make a large initial deposit
- b. It's easier to calculate than simple interest
- c. Very few banks offer it
- d. It allows people with savings accounts to accumulate more money than they would with simple interest

**10. How might life be different if banks didn't offer interest on savings accounts, or charge interest on loans?**

- a. People would open fewer bank accounts, and banks would offer fewer loans
- b. People would open more bank accounts, and banks would offer more loans
- c. People would open fewer bank accounts, but banks would offer more loans
- d. Banks would offer more loans, but people would open fewer bank accounts