

# FM30 - Ch 2 - Financial Decision Making Due: \_\_\_\_\_

## Assignment: Financial Decision Making Total: 25 Marks

### Section A: Broad Understanding Questions (6 marks)

Answer each question in **one sentence or less**.

1. Explain why buying an asset can help build equity over time.

---

---

2. Describe one risk of using credit without understanding interest rates.

---

---

3. Give one reason disposable income affects financial decision making.

---

---

---

---

---



## Section B: Fill in the Blank (7 marks)

Use the **word bank** below. Each word is used **once**. Two words will not be used.

1. A house or vehicle is considered an \_\_\_\_\_.
2. \_\_\_\_\_ is the value you own in an asset after debt is subtracted.
3. A vehicle usually experiences \_\_\_\_\_ over time.
4. A mortgage often requires \_\_\_\_\_ to secure the loan.
5. A \_\_\_\_\_ allows repeated borrowing up to a limit.
6. The \_\_\_\_\_ influences interest rates across Canada.
7. Money left after necessities is called \_\_\_\_\_ income.

### Word Bank:

asset · equity · depreciation · collateral · line of credit · Bank of Canada prime rate  
· disposable · appreciation · budget

## Section C: Multiple Choice (6 marks)

**Write the correct letter in the space provided for each question.**

1. \_\_\_ Which option typically builds equity over time?
  - A. Leasing
  - B. Renting
  - C. Buying
  - D. Using a credit card
2. \_\_\_ What is collateral used for?
  - A. To increase income
  - B. To secure a loan
  - C. To avoid interest
  - D. To lower taxes

- 3. \_\_\_ Which item usually depreciates the fastest?
  - A. Savings account
  - B. House
  - C. Vehicle
  - D. Investment fund
- 4. \_\_\_ What best describes a line of credit?
  - A. Fixed monthly loan
  - B. One-time payment loan
  - C. Flexible borrowing up to a limit
  - D. Interest-free debt
- 5. \_\_\_ What does the Bank of Canada prime rate affect most directly?
  - A. Rent prices
  - B. Interest rates on loans
  - C. Vehicle depreciation
  - D. Credit scores
- 6. \_\_\_ Why is disposable income important?
  - A. It determines your tax bracket
  - B. It limits borrowing entirely
  - C. It shows how much money is available for choices
  - D. It removes financial risk

### Section D: Reflection (4 marks)

Write a thoughtful reflection on **at least one thing** you learned by completing this asn't.

---

---

---

---



## Section E: Optional Creative Component (Bonus: up to 2 marks)

Choose **one** option:

- Draw a picture or scene that represents a financial decision (renting, buying, credit use).
- Write a poem, song, or creative paragraph about managing money responsibly.