

Key Terms and Vocabulary

Bond

Budget

Current liability

Forecast error

Household asset

Investment

Liability

Liquid asset

Long-term liability

Market value

Mutual fund

Net worth

Personal balance

sheet

Real estate

Stock

What Do You Know?

- What is the purpose of a budget?
 - How can a budget help when you are anticipating cash shortages or a cash surplus?
- How do you assess the accuracy of your budget?
 - How can finding forecasting errors improve your budget?
- Describe the process of creating an annual budget.
- Suppose you want to change your budget to increase your savings. Explain what you could do.
- What is the purpose of a personal balance sheet?
 - How can a personal balance sheet help you when you are making financial decisions?
- Briefly define and give examples of each category of asset.
 - Why do you think stocks are not considered liquid assets?
- What are bonds?
 - What are stocks?
- What are mutual funds?
 - Describe how each of these provides a return on your investment.
- Give an example of a current liability and a long-term liability.
 - What's an example of how a current liability can be converted into a long-term liability?
- Explain how net worth is a measure of wealth.
- Describe how your net worth increases.
 - Will the purchase of additional assets always increase your net worth? Why or why not?