

## Financial Education Ep 5 - Answers

1. What is it called when you spend more money than is in your bank account and go into 'minus' balance?

Overdraft

2. What best describes Hire Purchase?

- a. A card which you use to buy things directly in shops then owe back the money
- b. A lump sum of money you borrow from someone, a bank, or company
- c. Buying a specific item, which you pay off each month until you have paid what it's worth ✓

3. What is it called when you get behind on bills?

- a. Extra credit
- b. Arrears ✓
- c. Loan

4. Label each of these either 'secured' or 'unsecured'.

- a. Car Hire Purchase Secured
- b. Credit Card Unsecured
- c. Mortgage Secured

5. What does APR stand for?

- a. Average Percentage Rate
- b. Annual Percentage Review
- c. Annual Percentage Rate ✓

6. What is the purpose of a credit rating?

Lets companies and banks know if they can trust you to pay back borrowed money

7. Say whether these things would affect your credit rating in a 'good' or 'bad' way?

- a. Not having had debts before Bad
- b. Having had a mobile phone contract and paid on time Good
- c. Taking out a loan and not paying it back Bad