

Individual Activity: Budget #2 Answer Key

Suppose you have only \$5 to spend. Use the table below to answer the following questions. Be sure to show your calculations.

Good	Price
Arcade Game	\$.25
Gum	\$.50
Soda	\$1.00
Movie Ticket	\$5.00

1. If you decide to save \$2.50 but still want to buy gum and soda, what is the opportunity cost of your decision to save?

With \$2.50, they can purchase one of the following:

- No gum and 10 arcade games
- No arcade games and 5 gums
- 2 arcade and 4 gums
- 4 arcade and 3 gums
- 6 arcade and 2 gums
- 8 arcade and 1 gum

2. Suppose you put your \$2.50 savings in the bank. If the bank pays 10% interest, how much interest will you earn on your \$2.50 deposit?

They would earn \$.25. $2.50 \times .10 = .25$

3. With interest, your \$2.50 is now worth \$2.75. What will you buy for \$2.75?

Answers will vary.

4. What would you have given up if you had decided to spend the \$2.50 instead of putting it into a savings account?

They gave up the 10% interest, and whatever they could buy with that interest.

A Penny Saved Is a Penny Earned with Interest

5. Use the chart below to show what you would do with your \$5.

Good	Price	Number Purchased
Arcade Game	\$.25	
Gum	\$.50	
Soda	\$1.00	
Movie Ticket	\$5.00	

Answers will vary.

6. Write a short paragraph to explain the choices you made with your money.

Answers will vary.