

# Ch. 3 Review

## Matching

Match the following terms to the correct definition below.

<input type="radio"/> Reconcile	<input type="radio"/> Budget	<input type="radio"/> Carbon Check
<input type="radio"/> Impulse Purchase	<input type="radio"/> Zero-Based Budget	<input type="radio"/> Overdraft
<input type="radio"/> Cash Flow Statement	<input type="radio"/> Envelope System	

- \_\_\_\_\_ A written cash flow plan
- \_\_\_\_\_ The act of matching your bank statement with your checkbook
- \_\_\_\_\_ A cash flow plan that assigns an expense to every dollar of your income, wherein the total income minus the total expenses equals zero
- \_\_\_\_\_ An item that is bought without previous planning or consideration of the long-term effects
- \_\_\_\_\_ Occurs when money is withdrawn from a bank account and the available balance goes below zero
- \_\_\_\_\_ Series of envelopes that are divided into categories (food, entertainment, gas, etc.) and are used to store cash for planned monthly expenses
- \_\_\_\_\_ A summary that shows total income and spending for a given time period
- \_\_\_\_\_ A copy of each check you write

## Multiple Choice

Circle the correct answer.

- The number-one cause of divorce in North America today is stress and disagreements over money.  
 True  
 False
- The envelope system works great for managing spending on things that don't normally have a fixed monthly expense.  
 True  
 False
- Which of the following is a consequence of overdrawing your checking account?  
 Overdraft fee from your bank  
 Bounced check fee from the store  
 Stress from money mismanagement  
 All of the above
- Doing a budget does not:  
 Make your money go further  
 Make overspending more likely  
 Show if you are overspending in an area  
 Remove guilt and shame sometimes associated with purchases
- Your monthly budget should include:  
 Fixed expenses  
 Variable expenses  
 Discretionary expenses  
 All of the above

## Short Answer

Respond in the space provided.

- What are the reasons cash flow plans sometimes do not work?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- Why is the zero-based budget the best method of budgeting?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- Explain why you should always have a cash flow plan.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- Describe the various payment options that come with a checking account.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- Why is it important to maintain a file of both paper and electronic financial records?  
\_\_\_\_\_  
\_\_\_\_\_