

Name: _____ Date: _____

Answer Key: Opportunity Costs and Compound Growth: 4th Grade Finance Quiz

Evaluate 10 complex financial scenarios where students must calculate trade-offs and analyze how interest impacts long-term wealth building.

1. Maya has \$50. She can buy a new science kit today or put the money in a Certificate of Deposit (CD) that pays interest. If she chooses the science kit, what is her 'opportunity cost'?

Answer: C) The extra interest money she would have earned later

Opportunity cost is the value of the next best alternative given up. By choosing the kit, Maya gives up the potential growth (interest) the money could have earned.

2. If a city builds a new public park, the 'opportunity cost' could be the new library they can no longer afford to build with that same money.

Answer: A) True

True. In economics, choosing one project means giving up the ability to use those same resources for a different project.

3. An investor buys 'shares' of a company called TechGiant. If TechGiant makes a profit and shares some of it with the investor, this payment is called a _____.

Answer: B) Dividend

A dividend is a portion of a company's earnings distributed to its shareholders as a reward for their investment.

4. Which of these scenarios demonstrates 'Compound Interest' most effectively?

Answer: C) Earning interest on your initial savings plus interest on the interest already earned

Compound interest is 'interest on interest,' which allows savings to grow much faster over long periods of time.

5. When a bank lends money for a house, they charge a fee called _____, which is a percentage of the total loan amount.

Answer: A) Interest

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Interest is the cost of borrowing money. Borrowers pay it to the lender in exchange for using the lender's funds.

6. Leo wants to start a business. He needs a 'Capital Investment.' Which of these is an example of capital for a lemonade stand?

Answer: B) The wooden stand and the electric juicer

In economics, capital refers to the tools, machinery, and structures used to produce goods and services.

7. A person with a 'Low Risk Tolerance' would likely put most of their money into start-up companies rather than a government-backed savings account.

Answer: B) False

False. Low risk tolerance means the person wants to avoid losing money, so they would choose safer options like a savings account.

8. If the 'Supply' of a rare collectible card suddenly increases because a hidden warehouse was found, what usually happens to the 'Market Value' (price) of that card?

Answer: C) The price goes down because it is no longer as rare

According to the laws of supply and demand, when supply increases and demand stays the same, the price typically drops.

9. To protect against financial loss from an accident or illness, people pay a monthly _____ to an insurance company.

Answer: B) Premium

An insurance premium is the amount of money an individual or business pays for an insurance policy.

10. Diversification means putting all of your investment money into one single high-performing stock to maximize your profits.

Answer: B) False

False. Diversification means spreading your money across many different types of investments to reduce risk.