Money

VOCABULARY PRACTICE

UPPER-INTERMEDIATE | B2

Name: _____ **Date:** _____

1 Match each finance term with its meaning.

1 inflation	____	a ease with which an asset can become cash
2 purchasing power	____	b rise in value realised when an asset is sold
3 exchange rate	____	c security pledged against a loan
4 compound interest	____	d reduction of risk by spreading money across assets
5 credit rating	____	e general rise in prices over time
6 collateral	____	f profit or loss produced by an investment
7 investment return	____	g value of one currency in terms of another
8 liquidity	____	h assessment of a borrower's reliability
9 diversification	____	i interest earned on both principal and earlier interest
10 capital gain	____	j amount of goods and services money can buy

2 Complete the finance collocations.

capital | **credit** | **exchange** | **inflation** | **interest** | **portfolio** | **power** | **return**

1 protect purchasing _____

2 monitor the _____ rate

3 earn compound _____

4 improve a _____ rating

5 diversify an investment _____

6 generate a positive _____

7 realise a _____ gain

8 keep pace with _____

3 Choose the most precise term for the context.

1 Prices rise while income stays fixed: *purchasing power / liquidity* falls.

2 One euro buys more foreign currency: *exchange rate / credit rating* changes.

3 Interest earns further interest: *compound / simple interest*.

4 Property secures a bank loan: *collateral / diversification*.

5 Money is spread across several assets: *diversification / capital gain*.

6 An asset can be sold quickly without major loss: *liquidity / return*.

7 An investment is sold above its purchase price: *capital gain / inflation*.

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4 Complete the financial review with terms from the box.

capital gain | collateral | compound interest | credit rating | diversification | exchange rate | inflation | investment return | liquidity | purchasing power

The review first measures how **1** _____ has reduced household **2** _____. Foreign assets are affected by the **3** _____. Long-term savings benefit from **4** _____, but expected **5** _____ must be compared with risk. **6** _____ limits concentration, while adequate **7** _____ covers short-term needs. Borrowers can improve their **8** _____; secured loans require **9** _____. Selling an appreciated asset produces a **10** _____.

5 Read the text and answer the questions briefly.

Comparing savings and investment

A household kept all its long-term savings in a current account. The balance was stable, but inflation gradually reduced what the money could buy. An adviser suggested retaining an emergency fund in cash and investing only money not needed soon. The proposed portfolio spread risk across different assets and fees were disclosed. The adviser also showed pessimistic scenarios, stressing that returns were uncertain and losses were possible.

1 Where was all the money initially held? _____

2 What risk affected its real value? _____

3 Why retain some cash? _____

4 Which money was suitable for investment? _____

5 How did the portfolio manage risk? _____

6 What limitations did the adviser explain? _____

6 Rewrite using the expression in capitals.

1 Rising prices reduced what the money could buy. **PURCHASING** ___

2 The loan was secured against the house. **COLLATERAL** _____

3 Risk was spread across several assets. **DIVERSIFIED** _____

4 The asset was sold for more than its cost. **GAIN** _____

OVER TO YOU

Write a **120-150 word** financial plan for a fictional household. Address inflation, liquidity, debt, savings, diversification, risk, fees and time horizon.

[ ] Use at least ten target terms. [ ] Distinguish nominal value from purchasing power. [ ] Avoid guaranteed-return claims.

ANSWER KEY

1 Finance terms

1 **e** 2 **j** 3 **g** 4 **i** 5 **h** 6 **c** 7 **f** 8 **a** 9 **d** 10 **b**

2 Finance collocations

1 **power** 2 **exchange** 3 **interest** 4 **credit** 5 **portfolio** 6 **return** 7 **capital** 8 **inflation**

3 Precise terms

1 **purchasing power** 2 **exchange rate** 3 **compound interest** 4 **collateral**
5 **diversification** 6 **liquidity** 7 **capital gain**

4 Financial review

1 **inflation** 2 **purchasing power** 3 **exchange rate** 4 **compound interest** 5 **investment return**
6 **diversification** 7 **liquidity** 8 **credit rating** 9 **collateral** 10 **capital gain**

5 Reading - suggested answers

1 A current account. 2 Inflation. 3 For emergencies. 4 Money not needed soon. 5 Through different assets. 6 Returns were uncertain and losses possible.

6 Rewriting - possible answers

1 Inflation reduced **purchasing power**. 2 The house was **collateral**. 3 The portfolio was **diversified**. 4 The sale produced a capital **gain**.

Over to you: Answers will vary. Check risk calibration, liquidity, diversification, fees and time horizon.