

## Grade 7 EMS Worksheet

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### Assessment Task: Investments

#### What are investments? (Individual activity)

Study the definition of investment by the Free Online Dictionary below. Answer the questions that follow.

[8 marks]

#### **Definition of investment**

The act of placing [capital](#) into a project or business with the intent of making a [profit](#) on the initial placing of capital. An investment may involve the extension of a [loan](#) or [line of credit](#), which entitles one to repayment with [interest](#), or it may involve [buying](#) an ownership stake in a business, with the hope that the business will become profitable. Investing may also involve buying a particular [asset](#) with the intent to resell it later for a higher [price](#). Many types of investing exist, and each is subject to greater or lesser regulation in the jurisdiction in which it takes place. Legally, [investing](#) requires the existence and protection of individual [property rights](#). Investing wisely requires a combination of astuteness, knowledge of the [market](#), and timing.

(Source: [www.freeonlinedictionary.com](http://www.freeonlinedictionary.com))

- a) How does an investment differ from savings? [4 marks]
- b) What does the following statement mean: “[buying](#) an ownership stake in a business”? [2marks]
- c) Why would a person prefer to invest rather than to just save his or her money? [1 marks]
- d) What kind of asset can you buy in the hope of selling it later at a higher price? [1 mark]

[Total: 8 marks]

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### Suggested Solutions

Question number	Possible marks	Solution
1	8	<p>a) An investment is made with the aim of earning a profit from the investment. Unlike savings, an investment holds some risk, because you can lose your initial invested amount. The interest you earn on savings is much less than the potential profit you can make on an investment, but unlike an investment, you won't lose the initial amount you saved. [4 marks]</p> <p>b) It means that the investor can claim a part of the profits of the business, since he or she partly owns the business. However, that also means that the investor would share in any losses. [2 marks]</p> <p>c) You can get bigger rewards from an investment, in other words higher returns on your money. [1 mark]</p> <p>d) Property, such as land or a home, will increase in value over time, enabling you to sell it for more than you bought it for. Other possible assets that increase in value include shares and unit trusts, vintage cars, antiques and art collections. (any one) [1 mark]</p>