

Cash Payments

Assessment Task

Paying in cash is best! (Individual activity) (LO3 AS6)

Read the two case studies below and answer the questions that follow.

Landela's mother always taught her to work carefully with her money. When she started working, she saved her money until she had enough to move into a flat. She furnished her flat with second-hand goods until she could afford decent new furniture, which she bought for cash. She then sold the second-hand furniture and put the money she got into a savings account. She always buys her clothes and groceries for cash. She applied for a cash card from a clothing store and the store where she buys her toiletries and make-up. Whenever she pays for goods in cash, she earns cash-back vouchers. This saves her some money each year that she uses to buy her mom a Christmas gift.

Gina lives for the moment. She buys what she wants, when she wants it. She buys all her monthly groceries, clothing and other goods on her credit cards. Very soon she finds it hard to pay off all the debt she has made. She sits down to do some calculations. She finds that she owes R10 000 on her credit cards. She is paying 18% per year on that amount. In one year she pays R1 800 in interest only.

- a) Give one reason why buying for cash is better than buying on credit. [1 mark]
 - b) Why is the interest rate on credit cards so high? [1 mark]
 - c) How do banks make it possible for you to buy for cash without carrying around much cash? Name three ways. [3 marks]
 - d) Why is it better to buy groceries for cash than on credit? [2 marks]
 - e) What security feature protects your account when you use an ATM? [1 mark]
- [Total: 8 marks]