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MONEY
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QUIZ ANSWER KEY

Understanding Inflation

MULTIPLE CHOICE

Directions: CIRCLE the best possible answer to each question.

1. What is inflation?
   a. Inflation refers to the rate of change or increase in the average prices of goods and services typically purchased by consumers
   b. The amount added to the cost of goods to cover overhead and profit
   c. A financial gain, especially the difference between the amount earned and the amount spent in buying, operating or producing something

2. What does the consumer price index track?
   a. It tracks the gross domestic product (GDP) of a country
   b. It tracks the percentage change in the prices of a basket of 80,000 goods and services
   c. It tracks the health of a country's economy

3. Investing can help you counteract the negative effects of inflation when...
   a. You put your money in high-risk and potentially high-return investment vehicles
   b. You ignore the inflation rate and hope for the best
   c. Your rate of return is greater than the inflation rate