

Student _____

Date _____

Class _____

Teacher _____

CHAPTER 4 Consumer Purchasing and Protection

Reviewing Key Terms: Complete the Sentence



DIRECTIONS: Using terms from the following list, complete the sentences below. Write the letter of the term you have chosen in the space provided.

- | | | |
|-------------------|---------------------|-----------------------|
| A. cooperative | D. warranty | G. mediation |
| B. impulse buying | E. service contract | H. arbitration |
| C. open dating | F. fraud | I. small claims court |
| | | J. class-action suit |

- _____ is the attempt by a neutral third party to resolve a conflict between a customer and a business through discussion and negotiation.
- _____ is purchasing items on the spur of the moment.
- The process whereby a conflict between a customer and a business is resolved by an impartial third party whose decision is legally binding is called _____.
- _____ deals with legal disputes that involve amounts below a certain limit.
- _____ is dishonest business practices that are meant to deceive, trick, or gain an unfair advantage.
- _____ indicates the freshness, or shelf life, of a perishable product, such as milk or bread.
- A separately purchased agreement by the manufacturer or distributor to cover the costs of repairing the item is called a(n) _____.
- A(n) _____ is a written guarantee from the manufacturer or distributor that states the conditions under which the product can be returned, replaced, or repaired.
- A nonprofit organization owned and operated by its members is called a(n) _____.
- A(n) _____ is a legal action on behalf of all the people who have suffered the same injustice.

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Understanding Key Concepts



DIRECTIONS: On a separate sheet of paper, answer the following questions.

1. Identify two factors that might affect your purchase of a pair of running shoes.
2. Name five sources of product information that you might consult before making an expensive purchase.
3. Brian has \$3,000 to spend on a laptop computer. He has narrowed his choices to the latest model with lots of speed and memory for \$2,999 or a slower, discontinued model with half the memory for only \$1,500. Which would you recommend he purchase? Explain your answer.
4. Compare the advantages and disadvantages of using cash instead of credit to purchase an expensive item.
5. Imagine you are buying a new guitar. Describe how you would make the purchase using the research-based approach from Section 4.1.
6. Calculate the unit price for a 24-ounce bag of candy that costs \$3.20.
7. In what order should you pursue the following courses of action when you are dissatisfied with a purchase and suspect fraud? (a) resort to dispute resolution (b) take legal action (c) return to the place of purchase (d) get help from a consumer agency (e) contact company headquarters?
8. Whom can you call to find out about dispute resolution programs?
9. Paul recently purchased a home in a newly built subdivision. He discovered that toxic waste from a nearby factory had seeped into his backyard soil and was killing his plants and the wild animals that visited his yard. He noticed the plants in his neighbors' yards were also dying. He has complained to the builder and factory manager, written to the corporate office of both, and tried to set up a dispute resolution, but the problem persists. What legal action would you recommend to Paul? Explain your answer.
10. What is a legal aid society?

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Activity 1: Comparison Shopping



SKILLS ACHIEVED

Reading, Writing, Math, Reasoning, Problem solving, Decision making, Allocating money, Acquiring and evaluating information, Interpreting and communicating information

OBJECTIVE: Compare the price and quality of national and store brands on several different products.

Are you the kind of person who always likes to buy the better known national brands? Or do you feel that in-house store brands are just as good—and cheaper? In this activity, you will get a chance to compare several items in terms of price and quality.

In groups of three, go to a grocery store, drugstore, or discount store. Choose three different kinds of items that you regularly use. For example, you might choose shampoo, chocolate cookies, and dish detergent; or applesauce, orange juice, and skin lotion. Buy a national brand and an in-house store version of each kind of product. After each one in your group tries the products, use the chart below to evaluate them. In the last row, make a judgment on which product offers better value for the money.

Product	Price	Unit Price (if applicable)	Evaluation

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Activity 2: Using a Research-Based Approach to Buying



SKILLS ACHIEVED

Reading, Writing, Decision making, Problem solving, Knowing how to learn, Acquiring and evaluating information, Organizing and maintaining information

OBJECTIVE: Follow a research-based procedure for making a major purchase.

Following a research-based approach to make a purchase can help you feel confident that you are making the best buying decision. In this activity, you will identify an actual need you have for a product, gather information to better understand the need and the product, and learn about the marketplace in which you will make the purchase.

1. Identifying Your Need

What do you want to buy?

Why do you feel you need it?

What other options may you have instead of purchasing this item?

Are any of the alternatives to purchasing acceptable? Explain. If not, go on to section 2.

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2. Gathering Information

List prices, availability, advantages, disadvantages, and other information about three different brands or versions of your item. Note the sources of the information.

What special features do you want in the item?

If the price is too high, what compromises are you willing to make?

Where are some places you can buy the item?

Which payment option is the best? Why?

What are some ways you can pay for the item?

Which payment option is the best? Why?

Can you take advantage of sales, special warranties, or other discounts? How?

3. Making Your Purchase Decision

After considering all the information, which option seems most appealing to you? Why?

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Math-Building Skills: Cash or Credit?



Your sister, Amelia, has decided to buy a new snowboard. The one she wants costs \$275, including sales tax, at a local sporting goods store.

She is not sure of the best way to pay for her snowboard. She could pay cash; she has \$450 in a savings account that pays 2 percent a year in interest. If she paid cash, it would take her six months to put the \$275 back in her savings account. She could also use her credit card, which charges 18 percent interest a year. If she used her credit card, it would take her six months to pay off her bill. She has asked you to help her figure out the better way to pay for her snowboard.

DIRECTIONS: Using your math skills, analyze the total costs of the two purchasing options and make a recommendation. Use the space below to make calculations. Then write your recommendation and explain your reasoning on the lines provided.

Ruled lines for student work.

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Finance Online: Gathering Information



Chapter 4 recommends that you research alternatives before making an expensive purchase. One good source for this research is the Internet.

The most expensive purchase you are likely to make in the near future is a vehicle. Which vehicle model appeals to you most? You probably know how the vehicle looks, but what else do you know about it? Try researching your favorite vehicle and gathering information that can help you make comparisons with other models or different versions of the same model. For this activity use an Internet search engine to look up facts about a specific make and model. Try to find one Web site by the manufacturer and one by a consumer group or publication.

Keywords Used	Site Names	Web Site Addresses	Information Offered

1. Which make and model of vehicle did you choose to research?

2. List the following specifications for the car: acceleration, maximum speed, seating capacity, and gas mileage.

3. Based on your information, would you buy this car? Why or why not?

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Your Financial Portfolio Worksheet

Your Budget

What is your budget? A budget can help you see where you are spending your money and assist you in determining how long it will take to save for a special purchase. On the budget worksheet below calculate your income and expenses for one month.

INCOME	Average Monthly Income
Total Income	
EXPENSES BY TYPE	Average Monthly Amount
Fixed Expenses	
Variable Expenses	
Total Expenses	

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What is your total income?

What are your total expenses?

What can you save each month?
(income – expenses)

What is the cost of your desired purchase?

How long will it take you to save for what you want?

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Software Activity (Optional)

Spreadsheet Application

Comparing Consumer Purchase Alternatives



OBJECTIVE: Assess and compare the financial implications of purchase options.

Practice Situation

Megan plans to buy a new mountain bike and must evaluate the following purchase options. Cycle Tech Bike Shop is offering the model that Megan likes for \$289. The price includes a 6-month standard warranty. The clerk has recommended that she purchase an extended warranty for \$40. The extended warranty will cover any repairs on her purchase for an additional 6 months. Megan likes the idea of the extended warranty because she knows this will protect her from unexpected repair costs.

Ann's Bike Shop is selling the same model for 10 percent off the tag price of \$330. A 6-month standard warranty is also included in the price at Ann's, but they do not offer an extended warranty plan. Megan estimates that she would spend no more than \$40 on repairs from month 7 through 12 after the purchase.

Megan also needs to purchase a helmet. Ann's Bike Shop has offered to throw in the helmet at no cost if Megan buys the bike from them. The helmet sells for \$32 in both shops.

Use a sales tax rate of 8.5 percent and compare the purchase options. Answer the questions on the next page.

	Cycle Tech Bike Shop	Ann's Bike Shop
Cost of mountain bike		
Extended warranty price		
Helmet		
Subtotal		
Sales Tax		
Total Purchase		
Repairs during the first year		
Total Cost		

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Spreadsheet Directions

1. Start your spreadsheet software program and open problem SA04.xls.
2. Use the data listed on the previous page to complete the total cost of the purchase from Cycle Tech Bike Shop. Insert formulas to calculate Subtotal, Sales Tax, Total Purchase, and Total Cost. *Note: Format all dollar amounts to Currency, 2 decimals.*
3. Record the costs associated with the purchase of the bike at Ann's Bike Shop. Insert the formula to calculate the cost of the mountain bike less the discount offered. Then, insert the formulas for Subtotal, Sales Tax, Total Purchase, and Total Cost.
4. Perform your calculations and complete the spreadsheet, then save your work to a new file labeled SA04***.xls. (Replace *** with your initials.)
5. Print out a copy of your work if your teacher has instructed you to do so.

Interpreting Results

1. What is the Total Cost of the purchase from Cycle Tech Bike Shop? _____
2. If Megan's estimate for repairs from month 7 through month 12 on the bike were correct, what is the Total Cost of the purchase from Ann's Bike Shop? _____

Drawing Conclusions

1. Based on your calculations, which bike shop is offering the best value to Megan on her desired purchase? Explain.

2. What financial risks or benefits can you identify that Megan should consider in her decision? What nonfinancial risks or benefits should Megan consider?

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SELF-ASSESSMENT QUIZ

DIRECTIONS: Circle the letter of the choice that best completes the statement or best answers the question.

1. Social factors obviously affected Fran's choice of backpack if the pack is (A) a popular style (B) well-made (C) easily repaired (D) reasonably priced.
2. Before you begin to shop, you should (A) decide to pay cash (B) opt to delay payment (C) identify your needs (D) compare prices at different stores.
3. Comparison shopping is a waste of time when buying an item such as (A) a computer (B) shampoo (C) salt (D) school supplies.
4. You would most likely negotiate the price for a(n) (A) pair of jeans (B) airline ticket (C) tennis racket (D) car.
5. Direct selling includes all the following kinds of shopping *except* (A) mail order (B) telephone sales (C) mall (D) online.
6. Product labels for appliances generally include (A) open dating (B) operating instructions (C) health claims (D) unit pricing.
7. An implied warranty guarantees that (A) a product is fit for its intended use (B) a defective product will be fixed (C) only certain parts of a product are under warranty (D) the distributor will replace a defective product.
8. When you are dissatisfied with a product and are seeking satisfaction, your last resort should be (A) complaining at the original place of purchase (B) getting help from a consumer agency (C) taking legal action in small claims court (D) using a dispute resolution program.
9. The settlement of a difference by a third party whose decision is legally binding is called (A) mediation (B) arbitration (C) dispute resolution (D) a class action.
10. A disagreement over an amount less than \$500 is generally handled (A) through a legal aid society (B) in a class-action suit (C) at small claims court (D) by members of the American Bar Association.