



This is the authors' translation of a sample page from M. Skorepa, E. Skorepova: "Financni a ekonomicka gramotnost", Student's Book 2. The set of Teacher's Book, Student Book 1 and Student Book 2 was published originally in Czech (Prague, Scientia, 2008). Do not quote or disseminate without prior consent from the authors.



Ask your parents whether your household is covered by some of these types of insurance.

## 6.5 Annual rate of return or interest rate of an asset

Different assets have different properties according to which you should make your decision in what form you will hold your property. One of the basic properties of every asset, its annual rate of return, will be the focus of this activity.

We buy a certain asset (stocks, bank deposit, etc.) often because we want to get more money out of it at the end than what we put into it at the beginning. When the sum you get at the end is decreased by the sum you put up at the beginning, the result is the **return** from a given asset. If the asset is a bank deposit in particular, the return from such an asset is usually called the **interest**.



Calculate the return (the interest) in the following cases:

- (a) At the beginning, you have EUR 100 in an envelope at home, after a year you have still EUR 100 in the envelope.

In this case, the return is: \_\_\_\_\_

- (b) At the beginning, you put EUR 10 000 into a bank account, after 9 months there is EUR 10 100 in the account.

In this case, the return (the interest) is: \_\_\_\_\_

- (c) At the beginning, you buy a car for EUR 10 000, after 2 years you sell it for EUR 80 000.

In this case, the return is: \_\_\_\_\_

As you can see, the return (interest) from an asset can be negative. In other words, the asset, instead of bringing a profit to its owner, can lead to a loss.