**Payment Choices**

Activities   
**1.What is a cheque?**A written communication ordering your financial institution, to pay a specific amount of money to the drawee that is withdrawing money.   
  
**2.List the four main advantages of paying by cheque?**  
Safety  
An up-to-date record can be kept  
Can be posted  
Convenient   
  
**3.What is the advantage of an overdraft?**That a special interest is charged daily.   
  
**4.When writing a cheque, why should no blank spaces be left before or after the amount?**   
This is done so that the receiver of the cheque cannot add extra numbers or 0’s to make the amount larger.   
  
**5.Study the cheque on page 28 and then answer the   
following questions?  
Who is the drawer of the cheque? Who is the drawee?**   
Drawer: Karen Smith  
Drawee: Hometown bank   
**What is the name of the payee?**   
Ace Insurance   
**What is the number of the cheque?**   
264398   
**Suggest reasons why the amount for the cheque is written in both words and figures?**   
This is done so that there is no mistake made and that the receiver hasn’t changed any numbers on it.   
**What effect do the words ‘Not negotiable’ have on a cheque?**   
That only the receiver (Ace Insurance) may cash the cheque and the amount cannot be changed.   
  
**6.When you buy an item through lay-by, when do you have possession and ownership of the good?**  
When you have finished paying off the item.   
  
**7.What must you and the store do if you cancel the lay-by before paying the full purchase price?**The store is to provide a refund after deducting storage, handling and depreciation costs. If you do not pay for the item by the set date, the store can cancel the lay-by. You have seven says to pay the full amount or receive a refund, less the costs to the store.   
  
**8.What are the advantages and disadvantages of using?**Lay By: o interest which you have to pay However you don’t receive the item straight away   
Book up: Don’t have to pay on the spot; some form of security may be required   
  
**9.What method of payment would you prefer for the following purchases? Why?**   
A microwave oven from a department store: Cash depending on the price because it’s easier for me.   
Groceries at a store in a remote community: Book-up depending on whether they accept cash.   
The annual car registration: Cash because it would only be $200   
  
**11.Errors can be made when filling in cheques. Which of these errors would cause the cheque to be worthless to the payee?**   
The drawer forgot to sign the cheque.   
  
**12.Why are retailers prepared to offer lay-by services without any charge?**They offer because they have nothing to lose and if the person cancels their lay-by then they can receive a small profit from it.