Credit costs

6 questions | 12 marks

Equivalent correct methods earn the corresponding marks.

1. Cash price AUD 1500; deposit AUD 300 and 18 payments of AUD 75. Find total paid and extra cost. [2 marks]

$300+18\times75=1650$.

$1650-1500=150$.

Answer: AUD 1650 total; AUD 150 extra

2. AUD 2400 is borrowed at 6% flat simple interest for 3 years. Find interest. [2 marks]

$2400\times0.06\times3=432$.

Answer: AUD 432.00

3. Total repayment AUD 3780 is split into 36 equal payments. Find each payment. [2 marks]

$3780/36=105$.

Answer: AUD 105.00

4. An advertised offer is 24 payments of AUD 48 plus AUD 40 fee for a cash-price AUD 1000 item. Find extra cost. [2 marks]

$24\times48+40=1192$.

$1192-1000=192$.

Answer: AUD 192.00

5. A simplified credit balance of AUD 800 incurs 1.5% interest for a month before a AUD 100 repayment. Find the new balance. [2 marks]

$\text{Interest}=800\times0.015=12$.

$\text{New balance}=800+12-100=712$.

Answer: AUD 712.00

6. Why is an 8% flat rate not directly comparable with 8% reducing balance? [2 marks]

Flat interest keeps using the original amount; reducing-balance interest uses what remains outstanding.

Answer: The rates act on different principal amounts over time.