Personal loans and comparing borrowing with saving

6 questions | 12 marks

Equivalent correct methods earn the corresponding marks.

1. Loan balance AUD 5000, monthly rate 0.6%, month-end payment AUD 250. Find the new balance. [2 marks]

$5000\times1.006-250=4780$.

Answer: AUD 4,780.00

2. A AUD 10000 loan incurs 0.5% monthly interest. What is the interest in its first month? [2 marks]

$10000\times0.005=50$.

Answer: AUD 50.00

3. A AUD 10000 balance has 0.5% monthly interest and only AUD 40 repaid at month end. Does it fall? Find the new balance. [2 marks]

Interest$=50$.

$10000+50-40=10010$.

Answer: No; it rises to AUD 10010.

4. Find the balance after 3 monthly periods on AUD 2000 at 1% per month with AUD 300 month-end payments. [2 marks]

$B1=1720$.

$B2=1437.20$.

$B3=1437.20\times1.01-300=1151.572$.

Answer: AUD 1,151.57

5. Cash price AUD 2200. A loan requires 24 payments of AUD 102 plus AUD 50 fee. Find the extra cost. [2 marks]

$24\times102+50=2498$.

$2498-2200=298$.

Answer: AUD 298.00

6. A comparison assumes a constant loan rate and unchanged future cash price. Give two reasons its actual outcome could differ. [2 marks]

These variables are assumptions rather than guaranteed facts.

Answer: The loan rate could change; the future cash price could change.