Practice worksheet | Financial mathematics

Extra repayments, frequency changes and offsets

Name: _____ Date: _____

6 questions | 18 marks

1. A monthly repayment is AUD 800. Compare the annual cash paid with AUD 400 paid every fortnight. [3 marks]

2. Find the fortnightly rate equivalent to an effective annual rate of 6%. [3 marks]

3. A balance is AUD 20,000 with an offset of AUD 3,000. Interest is 0.4% monthly and the month-end repayment is AUD 600. Find the new loan balance. [3 marks]

4. A debt of AUD 1,500 has an offset of AUD 2,000. Under a model with no negative interest and an AUD 200 month-end repayment, find the new debt. [3 marks]

5. A no-interest loan of AUD 6,000 is repaid at AUD 300 monthly. How many months are saved by instead paying AUD 400 monthly? [3 marks]

6. Explain why an offset balance of AUD 4,000 is not the same accounting entry as a permanent AUD 4,000 principal repayment. [3 marks]