

Mental Math and Estimation

The monthly payment for a loan of \$1000.00 is \$25.00. Calculate what the monthly payment would be if the loan were for \$2000.00, \$4000.00, or \$500.00.

BUILD YOUR SKILLS

For questions 1 to 3, you can use the personal loan payment calculator table on p. 132 or an online monthly payment calculator.

1. Calculate the monthly payment, the total amount paid, and the finance charge for each of the following loans.
 - a) \$1000.00 at 7.50% per annum for 3 years;
 - b) \$2500.00 at 7.50% per annum for 4 years;
 - c) \$3000.00 at 9.00% per annum for 5 years.
2. Amy would like to buy a computer. The one she wants costs \$1565.45 including taxes. Amy has saved \$500.00 for a down payment.
 - a) How much will Amy have to borrow to buy her computer?
 - b) She can get a loan at 8.25% per annum with an amortization period of 1 year. What will be her monthly payment?
 - c) What will be the total she pays for her loan?
 - d) How much will the computer cost Amy?
3. Cindy has a snow machine touring company based out of Labrador City. She wants to purchase a new snow machine. Cindy has no available cash for a down payment. She has estimated that she can afford to pay no more than \$400.00 a month for the next 2 years. The snow machine dealer offers the machine she wants for \$8500.00 cash. Cindy has three payment options.
 - She can get a loan from her bank at 5.00% per annum over 2 years, and pay cash.
 - She can pay using her credit card, which charges an annual interest rate of 22.50%. Calculate the minimum payment for the first month (5% of the balance).
 - She can get a line of credit at 4.50% per annum that she plans to pay off over 2 years.

Calculate the total cost of each of Cindy's options. Describe one advantage and one disadvantage to each of these three options.