Practice – Part 1

Instructions: Answer each of the following practice questions on a separate piece of paper. Step by step solutions are provided under the Solutions tab. You will learn the material more thoroughly if you complete the questions before checking the answers under the Solutions tab in Moodle.

You will have to return to the course in Moodle to use the Monthly Payment Calculator to answer the following questions.

1. Rosalita buys a $39 384.00 van at an annual interest rate of 8%. Her monthly payment is $650.00.

    a. Determine the number of payments Rosalita will make during the loan.
    b. How long will it take for Rosalita to pay off the loan? Express the answer in years.

2. Jessica purchases a new car for $25 000.00 with an interest rate of 4.5% for a 5 year term.

    a. What is Jessica's monthly payment?
    b. What is the total amount that Jessica pays for the car?
    c. How much interest does Jessica pay on the car loan?

3. Nadeem purchased a new SUV from a dealership for $36 845.00 before GST. He made a down payment of $8 000.00. Nadeem received a loan for 5.5 years at a rate of 9.5%.

    a. What is the total price of the SUV including GST?
    b. What is the total amount of the loan for the SUV?
    c. Calculate the monthly payment.
    d. How much interest did Nadeem pay on the loan?
    e. How much value did Nadeem's SUV lose due to depreciation if his SUV is worth $15 000.00 after 5.5 years? Use the answer to *part a* as the initial price.
    f. Calculate the depreciation per year.

4. When Michael returned a car after a 48 month lease, the odometer reading was 26 112 km. The kilometre allowance for the lease is 24 000 km. If the cost per excess kilometre is $0.26, what penalty will Michael need to pay for exceeding the kilometre allowance?