Choosing and Using a Credit Card Responsibly

1. Clare wants to buy a used wide-screen TV that sells for $2,000 cash. She will make a down payment of $1,000 and then six monthly payments of $200. What is the full installment price and the annual interest rate?

2. Lauren has his heart set on a new GPS that will cost him $325 if he pays cash and $400 if he pays by installments. If the down payment is $50, how much will he pay in each of 12 monthly payments? What is the annual interest rate on this purchase?

3. Jake is looking to buy a used car that will cost him $10,000. He will make a down payment of $5,000 and then twenty-four payments of $225. What is the full installment price and the annual interest rate?

4. Vanessa wants to buy a new sewing machine that sells for $2,000 cash. She plans to make a down payment of $1000 and then twelve monthly payments of $95. What is the full installment price and the annual interest rate?

5. Armando's motorcycle needs a new motor. It will cost him $700 if he pays cash and $825 if he pays by installments. If the down payment is $275 on the motor, how much will he pay in each of 12 monthly payments? What is the annual interest rate on this purchase?

6. The Sharps want to finance a cruise to Alaska for $2,800. The offer is for no money down with twenty-four payments of $150. What is the full installment price and the annual interest rate?

7. Ana is moving into her own apartment and wants to purchasing a Home Entertainment Center. The cost of the HEC is $1,350 if paid in cash and $1,495 if she pays in installments. If the down payment is $450, how many months will it take her to pay off the installment loan if she pays $44 per month?

Answers:

1) Total=2200
Interest= 10%
1000+(200x6)= 2200
2200-2000=200 in interest(
200/2000)x100=10% interest rate

2) 400-50=350
350/12=29.167 a month
(75/325)x100=23.077% interest rate

3) 10000-5000=5000
225x24=5400 full installment price
5000-5400=400
(400/5000)x100=8% interest rate

4) 2000-1000=1000
95x12=1140
1140-1000=140
(140/1000)x100=14% interest rate

5) 825-275=650
650/12=54.167 a month
(125/650)=19% interest rate

6) 24x150=3600 full installment
3600-2800=800
(800/2800)x100=28.57%

7)1495-450=1045
1045/44=23.75 aka 24 months