

Review for test answers:

Write the letter of the correct match next to each problem.

1. <u>Q</u> term	a. an agreement with a bank that allows you to withdraw more money from an account than you have in it
2. <u>H</u> PIN	b. failure to repay a loan
3. <u>B</u> default	c. an item of economic value owned by an individual that could be converted to cash
4. <u>N</u> cash advance	d. $I=Prt$
5. <u>P</u> full-service banking	e. an agreement in which a borrower receives something of value, and agrees to pay for it later
6. <u>A</u> overdraft protection	f. banking that is done over the internet; by telephone; or ATM

7.	O	principal	g.	an item of value pledged by a borrower to secure a loan
	F	self banking	h.	a secret number (password) to help protect your identity
9.	Ⓜ		i.	an approved loan amount that you can draw on as needed, w
10.	K	down payment	j. ✓	an estimate of the time it takes to double the investment
11.	S	transaction	k.	a partial payment sometimes required at the time of purchase
12.	D	simple interest	l.	money earned on an investment or a fee paid for borrowing m
13.	L	interest	m.	the time between calculations of interest
		compound	n.	a withdrawal of cash from an ATM or bank teller charged to a
14.	T	interest		
		compounding	o.	the original amount invested or borrowed
15.	m	period		

16.	<u>i</u>	line of credit	p.	banking that is done with the help of a teller
17.	<u>v</u>	loan	q.	the time in years for an investment or loan
18.	<u>w</u>	payday loan	r.	the total amount of interest paid to borrow a sum of mo
19.	<u>u</u>	amortization period	s.	any activity recorded on your bank statement (cash with money transfer, bill payment, etc)
20.	<u>G</u>	collateral	t.	the interest paid on the principal PLUS interest
21.	<u>E</u>	credit	u.	the time required to pay back a loan
22.	<u>C</u>	asset	v.	money that is borrowed for a specific term, to be paid ba
23.	<u>R</u>	finance charge	w.	a small, short-term loan with a high interest rate intende borrower's expenses until their next pay day

Posting Date	Activity Description	Amount (\$)
PREVIOUS STATEMENT BALANCE		\$56.87
Nov. 02	PAYMENT - THANK YOU	(\$50.00)
Nov. 06	Square Pants factory	\$47.00
Nov. 20	Krusty Crab	\$16.25

Payment Information		Calculating your balance	
Minimum payment		Previous balance	\$
Payment due date	Dec. 10	Payments & credits	\$
Credit Limit	\$2,000.00	Purchases	\$
Available credit		Cash advances	\$
Annual interest rate	18.25%	Interest	\$
		Other fees	\$
		New Balance	\$

3.25	84.91	43.6
5.00	85.61	43.8
5.25	85.72	43.8
5.50	85.84	44.1
5.75	85.95	44.2
6.00	86.07	44.3
6.25	86.18	44.4
6.50	86.30	44.5
6.75	86.41	44.5
7.00	86.53	44.7

Isabelle borrowed \$50

Marsha borrowed \$35

Justin borrowed \$1000

- The interest rate is: 18.25%
- What is the previous balance? 56.87
- How much was his payment? 50.00
- How much does he still owe after his payment? 6.87
- What did he purchase in November? \$47, \$16.25
- Calculate the new balance. \$70.12
- If the interest is 3.51, what will his minimum payment be? \$10.00
- What is her available credit? \$1929.68
- Will Sponge Bob have to pay interest? Why? yes, because he didn't pay the full amount.

a) What is her monthly payment?

b) How much does she pay back?

c) What is the finance charge?

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(a) a) What will be the value of her investment after the 8 years?
b) How much interest will she earn?

$$A = P \left(1 + \frac{r}{n} \right)^{nt}$$

$$= 2500 \left(1 + \frac{0.10425}{4} \right)^{(4)(8)}$$

$$= 2500 (1.010625)^{32}$$

$$= 2500 (1.4024)$$

$$= \$3506.07$$

(b) Interest?

$$\$3506.07$$

$$- 2500$$

$$= \$1006.07$$

Sally invested 2500 at 4.25% interest compounded quarterly for 8 years

a) What will be the value of her investment after the 8 years?
How much interest will she earn?

$$A = P \left(1 + \frac{r}{n} \right)^{nt}$$

$$= 2500 \left(1 + \frac{0.0425}{4} \right)^{(4)(8)}$$

$$= 2500 (1.010625)^{32}$$

$$= 2500 (1.4024)$$

$$= \$3506.07$$

b) Interest?

$$\begin{array}{r} \$3506.07 \\ - 2500 \\ \hline \$1006.07 \end{array}$$

the full amount, by what is the finance charge?

*** Are there any limitations?
 (is there anything you can't do?)

Withdraw

②

**PERSONAL LOAN PAYMENT CALCULATOR:
MONTHLY PAYMENT PER \$1000.00 BORROWED
(INTEREST COMPOUNDED MONTHLY)**

Interest rate (%)	Term in years				
	1	2	3	4	5
3.00	84.69	42.98	29.09	22.13	17.97
3.25	84.81	43.09	29.19	22.24	18.08
5.00	85.61	43.87	29.97	23.03	18.87
5.25	85.72	43.98	30.08	23.14	18.99
5.50	85.84	44.10	30.20	23.26	19.10
5.75	85.95	44.21	30.31	23.37	19.22
6.00	86.07	44.32	30.42	23.49	19.33
6.25	86.18	44.43	30.54	23.60	19.45
6.50	86.30	44.55	30.65	23.71	19.57
6.75	86.41	44.66	30.76	23.83	19.68
7.00	86.53	44.77	30.89	23.95	19.80

Isabelle borrowed \$5000 at 5.25% interest for 3 years.

a) What is her monthly payment?
b) How much does she pay back to the bank in total?
c) What is the finance charge?

Marsha borrowed \$3560 at 3.25% interest for 2 years.

Handwritten notes:

Isabelle!
a) $\$30.08 \times 5 = \150.40
b) $\$150.40 \times 12 \times 3 = \5414.40
c) $\$5414.40 - 5000 = \414.40

Marsha
a) $43.09 \times 3.56 = \$153.40$

b) How much does she pay back to the bank in total?
c) What is the finance charge?

Marsha borrowed \$3560 at 3.25% interest for 2 years.

a) What is her monthly payment?
b) What is the finance charge?

Justin borrowed \$10000 at 6% interest for 4 years.

a) What is his monthly payment?
b) What is the finance charge?

*** Are there any limitations when using internet banking?
(Is there anything you can't do?)

Withdraw money.

Handwritten calculations for Marsha:
a) $43.09 \times 3.56 = \$153.40$
b) $\$153.40 \times 12 \times 2 = \3681.60
 $\$3681.60 - 3560 = \121.60

Handwritten calculations for Justin:
a) $23.49 \times 10 = \$234.90$
b) $234.90 \times 12 \times 4 = \11275.20
 $\$11275.20 - 10000 = \1275.20

$$1. A = P\left(1 + \frac{r}{n}\right)^{nt}$$

$$A = 2350\left(1 + \frac{.035}{4}\right)^{4 \times 6}$$

$$A = 2350(1 + .00875)^{24}$$

$$A = 2350(1.00875)^{24}$$

$$A = 2350(1.23255, \dots)$$

$$A = 2896.50$$

$$2. I = Prt$$

$$= 8000 \times .039 \times 5$$

$$= 8000 \times 0.195$$

$$= 1560$$

$$\begin{aligned} &= 8000 \times .039 \times 5 \\ &= 8000 \times 0.195 \\ &= 1560 \end{aligned}$$

$$\begin{aligned} 3. \quad P &= \frac{I}{rt} \\ &= \frac{234.00}{.032 \times 3} \\ &= \frac{234}{.096} \\ &= 2437.50 \end{aligned}$$

$$= 2437.50$$

$$H. A = P \left(1 + \frac{r}{n} \right)^{nt}$$

$$1600 = P \left(1 + \frac{.04}{2} \right)^{2 \times 2}$$

$$1600 = P (1 + .02)^4$$

$$1600 = P (1.02)^4$$

$$1600 = P (1.08243216)$$

$$\frac{1600}{1.08243216} = P$$

$$1478.15 = P$$