Credit costs

6 questions | 12 marks

Equivalent correct methods earn the corresponding marks.

1. Cash price AUD 1500; deposit AUD 300 and 18 payments of AUD 75. Find total paid and extra cost. [2 marks]

$300 + 18 \times 75 = 1650.$

$1650 - 1500 = 150.$

Answer: AUD 1650 total; AUD 150 extra

2. AUD 2400 is borrowed at 6% flat simple interest for 3 years. Find interest. [2 marks]

$2400 \times 0.06 \times 3 = 432.$

Answer: AUD 432.00

3. Total repayment AUD 3780 is split into 36 equal payments. Find each payment. [2 marks]

$\frac{3780}{36} = 105.$

Answer: AUD 105.00

4. An advertised offer is 24 payments of AUD 48 plus AUD 40 fee for a cash-price AUD 1000 item. Find extra cost. [2 marks]

$24 \times 48 + 40 = 1192.$

$1192 - 1000 = 192.$

Answer: AUD 192.00

5. A simplified credit balance of AUD 800 incurs 1.5% interest for a month before a AUD 100 repayment. Find the new balance. [2 marks]

$\text{Interest} = 800 \times 0.015 = 12.$

$\text{New balance} = 800 + 12 - 100 = 712.$

Answer: AUD 712.00

6. Why is an 8% flat rate not directly comparable with 8% reducing balance? [2 marks]

Flat interest keeps using the original amount; reducing-balance interest uses what remains outstanding.

Answer: The rates act on different principal amounts over time.