Practice worksheet | Financial mathematics

Interest-only loans and sinking funds

Name: _____ Date: _____

6 questions | 17 marks

1. Find the monthly interest-only payment on AUD 48,000 at 6% nominal annually, charged monthly. [3 marks]

2. A no-interest sinking fund must reach AUD 18,000 after 36 month-end deposits. Find each deposit. [3 marks]

3. For a loan with annual interest-only cost AUD 1,200 and a sinking-fund deposit AUD 2,600 each year, find the annual cash outflow. [3 marks]

4. A sinking fund has AUD 4,000 now and must reach AUD 15,000 in 4 years at 3%. Find each year-end deposit. [3 marks]

5. A fund accumulates AUD 24,000 from 6 deposits of AUD 3,500. Find the interest earned by the fund. [3 marks]

6. An interest-only loan and sinking fund share a 5-year end date. Explain why interest-only payments alone do not meet the final debt. [2 marks]