

Chapter 4 Test

For #1 to #6, select the best answer.

1. Adam is considering an interest-free plan to buy a used car. The payments are \$357.40 per month for 4 years. What is the total cost of the vehicle?
A \$21 444.00 **B** \$17 155.20
C \$14 296.00 **D** \$18 019.20
2. Corrine is financing the purchase of a car that costs \$20 000. Which financing plan has the lowest monthly payment?
A 2 years at 0.9%
B 3 years at 1.9%
C 4 years at 2.9%
D 6 years at 3.9%
3. The lease payments for car A are \$645 per month for 3 years. Car B can be purchased using a loan that has payments of \$550 per month for 3 years. Which of the following must be true?
A Lease payments are always cheaper because you do not own the car.
B The leased car's retail value is greater.
C The interest rate for the car loan is less.
D The leased car has a greater down payment.
4. Which is a variable operating cost of car ownership?
A fuel
B insurance
C licensing
D finance payments
5. The fuel consumption rate of a new truck is 15.2 L/100 km. How much fuel would be used for a 500-km trip?
A 15.2 L **B** 76 L
C 152 L **D** 500 L
6. In order for a business to make a profit, which must be true?
A Operating costs must be low.
B Employees must be paid on a low scale.
C Revenue must be greater than expenses.
D Income taxes must be low.
7. Jill bought an upgraded sound system for her recently-purchased used car. The system cost \$1800, including taxes. The payment plan called for no interest and no payments for the first year. Jill paid off the loan in 10 months.
 - a) What was the cost of the interest on the loan?
 - b) What was the average monthly payment?
 - c) What is one reason the store where Jill bought the system can still make a profit selling with no interest and no payments for the first year?



Name: _____

Date: _____

BLM 4-7
(continued)

- 8.** Arnold is starting an air-conditioning business, and he needs a truck. He considers leasing the truck for 3 years.
- a)** What extra costs are there usually at the beginning of the lease term? at the end of the lease term?
 - b)** Describe one advantage of leasing.
 - c)** If you were giving Arnold advice on his decision, what information would you need to know?
- 9.** Operating a vehicle costs money even if there are no payments to be made. Make a list of five vehicle costs that are incurred over the period of a typical year.
- 10.** A student considers operating an ice cream stand for the months of July and August. The rent on the stand is \$100 per month. The cost of supplies and advertising is \$1000 per month. Assume that she sells an average of 80 cones per day at a profit of \$1 per cone, and that she stays open 7 days a week. What will her profit be at the end of the summer?

