

Chapter 4 BLM Answers

BLM 4-2 Chapter 4 Warm-Up

Section 4.1

1. \$31 400.00
2. 73.6%; 0.736
3. 10%; 9.3%
4. a) \$87.65 b) \$2278.90
5. \$354.69

Section 4.2

1. \$449.74
2. \$21 587.52
3. \$1629.52
4. \$2246.76
5. \$8174.80

Section 4.3

1. \$3173.00
2. \$1340.00
3. 24.455 L
4. \$3488.04
5. \$67.80

BLM 4-4 Section 4.1 Extra Practice

1. a) \$3955 b) Yes
2. a) \$563.30 b) \$341.01 c) \$589.59
- d) 367.43
3. a) \$20 278.80; \$20 460.60; \$21 225.24; \$22 045.80 b) A loan for 3 years at 0.9% results in the least total cost.
4. a) \$5625.60 b) \$625.60
5. a) \$468.00; \$519.44
- b) \$28 080.00; \$24 933.12
- c) Although truck #1 is more expensive than truck #2, it may be the better buy for George. Since truck #1 is only one year old, maintenance costs likely will be less than costs to maintain three-year-old truck #2. Truck #1 is probably a slightly smaller vehicle. The vehicle's size and the fact that the truck has a manual transmission suggest that it may be more fuel efficient than truck #2. Given the distance of George's commute, potential savings in fuel cost over time may outweigh the higher purchase price.
6. Example: Hatchback #1 is the better deal for Kara. Although the car is more expensive than hatchback #2, Kara's monthly payment would be less—\$492.18 versus \$588.78. In addition, the purchase of hatchback #1 includes a two-year warranty.
7. a) \$38 250.50 b) \$29 097.50
- c) \$23 871.25 d) \$20 029.25

8. a) i) \$847.50 ii) \$898.63 iii) \$936.83
- iv) \$1049.42

b) As the rate increases, the payment becomes greater.

- c) \$16 662.53

9. a) i) \$454.88 ii) \$313.56 iii) \$243.06
- iv) \$200.90

b) The payment becomes less as the number of months in the term increases.

10. a) \$10 917.12; \$11 288.16; \$11 666.988; \$12 054.00

b) Example: A shorter term means that David's monthly payment will be higher. If he chooses a longer term, David will have to keep his motorcycle for a longer period before it is paid off.

11. a) \$445.39 b) \$5344.68; \$26 723.32

c)

| Year | Amount Owing |
|------|--------------|
| 1 | \$26 723.32 |
| 2 | \$21 378.64 |
| 3 | \$16 033.96 |
| 4 | \$10 689.28 |
| 5 | \$5 344.60 |

12. a) \$1722.91 b) \$824.88

c) \$796.07 d) \$3591.61

13. \$14 362.52

14. Example: Paul should lease the truck. Even though the distance that Paul expects to drive in three years exceeds the limit included in the lease—80 000 km versus 72 000 km—the penalty amounts to only \$640 (8000 km × \$0.08/km). If he financed the truck, Paul's additional cost would exceed that penalty after only two monthly payments.

BLM 4-5 Section 4.2 Extra Practice

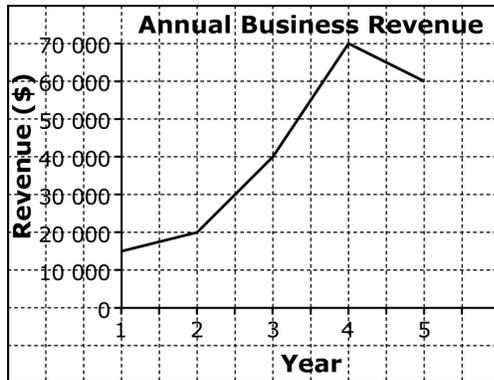
1. a) \$488.00 b) \$610.42 c) \$361.17
- d) \$278.58
2. a) \$232.68 b) \$2792.20 c) \$8376.60
- d) \$1426/year
3. \$4163.48
4. 15%
5. a) \$718.85 b) \$10 897.20
6. a) 11.5 b) 41.4 c) 66.7 d) 92
- e) 230



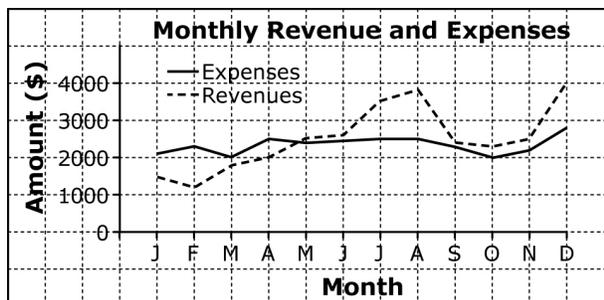
7. Example: Assume a current price of 132.4 cents per litre for regular gas.
a) \$52.96 b) \$72.82 c) \$119.16
8. \$858.75
9. \$225.77
10. \$1270.00

BLM 4-6 Section 4.3 Extra Practice

1. Example: Fixed expenses: rent, insurance, loan payments; Variable expenses: merchandise, wages, heat, lights
2. a)



- b) No**
3. Year 2; \$7157
4.



- 5. Profit of \$56 920.96**
6. a) June, July, August; Example: summer weddings
b) January; August; March
c) January
7. a) \$74 542.65 b) \$70 926.35
8. 56%
9. a) \$37 120
b) Example: By expanding his business, Brent has incurred significant start-up costs such as pre-paid rent and the purchase of office furniture. It is unlikely his normal monthly revenues are great enough to cover these costs, so Brent probably will not make a profit this month.

BLM 4-7 Chapter 4 Test

- 1. B**
2. D
3. B
4. A
5. B
6. C
7. a) \$0 b) \$180
c) Example: They charge a higher retail price to compensate for the loss of interest income.
8. Examples:
a) down payment and security deposit; residual payment
b) lower monthly payments
c) Does Arnold qualify for a lower-interest car loan?
9. Example: wiper blades, oil changes, winter tire change-over, car washes, fuel costs
10. \$2760

