1. Marvin buys an LED television on a buy now, pay later plan. The price of the television is $1799.99. The details of the buy now, pay later plan are: Pay a $149.99 administration fee plus taxes (on television and administration fee) now and pay the rest (price of television) two years from now.

a) Assuming Marvin pays on time, calculate the total cost of buying the LED television. (3 marks)

\[
\begin{align*}
\text{admin fee} & \quad 149.99 \\
\text{taxes on tv} & \quad 19.50 \\
\text{total cost} & \quad 233.99 \\
\end{align*}
\]

\[
\text{tv} = \frac{1799.99}{2203.48}
\]

b) What does Marvin pay now when he takes the television home? Calculate the dollar amount including taxes. (3 marks)

\[
\frac{403.49}{234.00}
\]

c) What rate of interest is Marvin paying on this loan? (3 marks)

\[
\begin{align*}
2203.48 - (1799.99 \times 1.13) = 2033.99 \\
\frac{169.49}{2033.99 \times 2} \times 100 = 4.17\%
\end{align*}
\]
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2. If Marvin forgets to pay the balance owing two years from now, how much interest will they add on to his $1799.99 debt if they charge interest at a rate of 29.99% compounded daily from the date of purchase? (3 marks)

\[
1799.99 \left(1 + \frac{.2999}{365}\right)^{730} = \$3278.33 \quad (2)
\]

\[
-1799.99
\]

\[
\text{add } \$1478.34 \quad (1)
\]

3. Explain why getting a bank loan would be a better idea than the buy now, pay later plan. (1 mark)

Pay it back a bit every month, not a big lump sum in 2 years. Don't forget to pay. Easier to manage a smaller payment every month.

4. Based on your own life experience, what is the difference between a want and a need? (1 mark)

Want can wait, need can't.

5. When getting a loan you must decide on the term of the loan. What does term mean? (1 mark)

How long to pay back.
6. Jerry wants to buy a Corvette for $45,000 (assume taxes are included in this price). He has saved up $5,000 in the bank.

a) How much money will Jerry need to borrow? (1 mark)

$$45000 - 5000 = 40000$$

b) Assuming Jerry gets a 7 year loan at 7.5%, how much will his loan payment be each month? (2 marks)

$$\frac{40000}{1000} \times 15.34 = \$613.60$$

c) How much money will Jerry have paid in interest at the end of the loan? (2 marks)

$$613.60 \times 84 = 51542.40$$

$$- 40000$$

$$\$11542.40 \text{ interest}$$

7. What advantage would there be in Jerry reducing his loan to 3 years instead of 7 years? (1 mark)

pay less interest.