

Chapter 7 and 8: Grade 12 Finance Exam Review

1. Sheri borrows \$20 000 to go to school. She can repay her loan in 2 ways. The interest is compounded monthly. (6 marks)
 - Option A: 48 monthly payments at 6.9% per year compounded monthly.
 - Option B: 60 monthly payments at 8.9% per year compounded monthly.
 - a. What is Sheri's monthly payment under each option?
 - b. How much interest does Sheri pay under each option?
 - c. Give a reason why Sheri might choose each option.

Option A

N=
I%=
PV=
PMT =
FV=
P/Y=
C/Y=
PMT=**END** BEGIN

Monthly Payment:

Interest paid:

Reason for this option:

Option B

N=
I%=
PV=
PMT =
FV=
P/Y=
C/Y=
PMT=**END** BEGIN

Monthly Payment:

Interest Paid:

Reason for this option:

2. Tarak bought a home for \$280 000 and put a down payment of 20% down on the home. He took a mortgage for the remaining amount of the cost of the home.
 - a. Explain The language in this situation.
 - b. What are his monthly payments now if his mortgage is amortized over 20 years at an interest rate of 4.5% compounded semi-annually for a 3 year term? (5 marks)

N=
I%=
PV=
PMT =
FV=
P/Y=
C/Y=
PMT=**END** BEGIN

3. Taylor is saving to go to college in 4 years. He is investing \$200/month in a savings account which makes 4.5% interest compounded monthly. He needs \$9000 for his first years basic expenses. Will he have enough saved in this account?

N=
 I%=
 PV=
 PMT =
 FV=
 P/Y=
 C/Y=
 PMT=END BEGIN

4. The Schaefer's are moving from Ontario to Manitoba. They have \$40 000 in savings and currently rent a 3 bedroom apartment for \$890/month. They have one child and they are trying to decide whether to continue renting or buy something when they move. Their total income together is currently \$65 000/year with the husband making \$45 000 and she works part-time making \$20 000. He is moving through his company and they are covering any moving expenses. He is getting an increase in salary of \$10 000 take home but she will have to try to find a new job once they get to Manitoba. Here are the options they are considering.

Option 1: Buying a 2-bedroom condo—Down payment of \$10 000, with a Bi-weekly mortgage payments of \$415 and monthly maintenance fees of \$220.

Option 2: Renting a 2-bedroom apartment--\$950 per month, plus utilities.

Which housing option would you recommend for him? Give reasons for your answer. Use at least 4 of the following key words in your answer and underline the words. (4 marks)

fixed cost	budget	income	expenses
variable cost	utilities	tenant	landlord
savings	balance		

5. Complete the chart below:

Definition	# of times per year
Annually	1
Semi-annually	
Monthly	
Bi-monthly	
Semi-monthly	
Weekly	
Bi-weekly	
quarterly	