Text 4.1, P. 174-177

Installment loan Pay off a loan (amount borrowed / amount financed) over time
It is a type of deferred payment.

Cost Price of an item plus sales tax

Downpayment) Amount of money you pay at the time you buy an item. It is a percentage of the cost.

Loan (amount borrowed / amount financed)

= Cost - downpayment.

Example Buy a $337.25 BBQ. There is 8.2% sales tax. You put down 15% after taxes and finance the rest.

Calculate:

(a) Cost (b) Downpayment (c) Amount Financed

Cost: 337.25 + .082(337.25)

= \$364.90

Downpayment: \$364.90 X .15

= 54.74

Amount Borrowed:

364.90 - 54.74 = 310.16

Cost: 1.082 (337.25)

108.2%

The amount financed was paid off at $20 per month for 18 months. How much interest (finance charges) were paid on the BBQ?

Payments on loan: $18 \times 20 = 360.00$

Amount of loan: 310.16

Interest 49.84

What was the total cost of the BBQ?

Downpayment + total paid on loan

$54.74 + 360.00$

$= 414.74$