

TUTORIAL: INSTALMENT PURCHASES

- 1) Mr. Tan bought a scanner through an installment scheme with an interest rate of 5% on the original balance. He paid RM 98.50 monthly for one and a half years. If he paid 200 as down payment, calculate the cash price of the scanner. (4 marks)

- 2) Liza borrowed RM 70,000 from Agro Bank to buy a shop. The interest charged was 3.5% on the reducing balance. She settled the debt for 9 years through equal monthly deduction from her salary. Use the Constant Ratio Formula, find
 - i) the total interest charged. (2 marks)
 - ii) the monthly payment. (2 marks)
 - iii) the outstanding balance after the 60th payment using Rule of 78. (2 marks)

- 3) The cash price of a car is RM62,000. Under an installment plan, a buyer has to pay a 10% down payment and the balance has to be repaid in 10 years. If the interest is 5% on reducing balance, calculate
 - i) the amount of interest charged using the constant ratio formula (3 marks)
 - ii) the monthly payment (2 marks)
 - iii) the installment price of the car (1 mark)

- 4) Allan borrowed a certain amount of money from a finance company to purchase a car. He has to pay RM880 monthly for 5 years.
 - i) How much did he borrow if the finance company charged interest at 6.5 % per annum on the original balance? (3 marks)
 - ii) If Allan made a 15% down payment, find the cash price of the car. (2 marks)
 - iii) Calculate the outstanding balance using the Rule of 78 if Allan wanted to settle the loan immediately after paying for two years. (5 marks)

- 5) Alice wanted to buy Samson Smartphone that is listed at RM3,999. Through an installment plan, she has to pay down payment of 10%, and the balance has to be repaid in 18 monthly payments. She is given 2 options of the installment plan.

Option	Interest Charged
1	6% on original balance
2	8% on reducing balance using constant ratio formula

Calculate

- i) the monthly payment for each option (6 marks)
- ii) based on monthly payment, what is the best option? Why? (1 mark)
- 6) A smartwatch can be purchased through an installment scheme in which RM250 down payment was needed. The interest charged is 6% per annum on the original balance. The balance needed to be paid RM89 per month for two years.
- i) Find the amount of the balance. (3 marks)
- ii) Find the cash price of the smartwatch. (2 marks)
- iii) By using the Rule of 78, determine the outstanding balance immediately after the 14th payment. (4 marks)
- 7) Minho bought a car for RM102,000. He paid a 10% down payment and the balance was settled by making 108 monthly payments with 3.7% reducing balance rate. By using Constant Ratio Formula;
- i) Calculate the amount of interest. (4 marks)
- ii) Find Minho's monthly payment. (2 marks)
- iii) Find the installment price for the car. (2 marks)