

Financial Math Test 4

True/False

Indicate whether the statement is true or false.

- ___ 1. A debit card is a type of charge card where the monthly bill must be paid in full.
- ___ 2. Last month the ending balance on Maryanne’s Mastercard was \$1,789, the average daily balance was \$755, and the monthly periodic rate is 1.85%. Her finance charge can be calculated by multiplying the ending balance times the monthly periodic rate. So the finance charge is $\$1,789 \times 0.0185 = \33.10 .
- ___ 3. Taneeka borrowed \$12,000 for a car for 6 years at an APR of 7.25%. Her monthly payment will be \$206.03.
- ___ 4. Interest can be the money paid by a bank to a consumer as compensation for keeping their money in that bank. Interest can also be the money paid to a bank for the use of their money.
- ___ 5. The Truth-in-Lending Act protects consumers from harassment from creditors.
- ___ 6. A FICO score is named after its creator, Fair, Isaac, and Company. It summarizes the probability that a person with debt will repay that debt.
- ___ 7. FICO scores range from 300 to about 850. A score above 770 is excellent, a score above 700 is good, and a score below 600 is considered a credit risk.
- ___ 8. The total interest on a five-year 5.2% loan with a principal of \$10,000 is $10,000 \times 0.052 \times 5 = \$2,600$.
- ___ 9. Max found a car he wants to buy that costs \$16,000. He can afford to pay \$250 a month for the car. His bank offers him a car loan of 7.3%. The length of his loan should be about 5 years so he can afford the payments.
- ___ 10. Regina pays her credit card balance in full each month. Last month her average daily balance was \$345 and the APR is 11.2%. The finance charge on her current month’s statement is \$13.22.

Multiple Choice

Identify the choice that best completes the statement or answers the question.

- ___ 11. Use the summary section of the monthly credit card statement below to calculate the finance charge.

SUMMARY	Previous Balance	Payments / Credits	Transactions	Late Charge	Finance Charge	New Balance	Minimum Payment
	\$750.00	\$70.00	\$110.00	\$0.00	?		\$40.00
				Average Daily Balance	# Days in Billing Cycle	APR	Monthly Periodic Rate
				\$805.00	30	15%	1.25%

- a. \$33.54
- b. \$12.98
- c. \$10.06
- d. \$9.38

- ___ 12. Jerry buys a \$2,700 motorcycle on a deferred payment plan. There is no down payment and no interest for eighteen months. Jerry must make a minimum payment of \$75 a month. To avoid a retroactive APR of 21%, he must pay the balance in full before the 18 months has passed. If he pays \$75 each month, how much should he pay the last month to avoid the interest charges?
- a. \$1,350
b. \$1,425
c. \$1,500
d. \$2,075
- ___ 13. Mantago wants to borrow \$10,000 to buy a used car. He examined his budget and decides that he can afford a payment of \$200 a month. If his bank offers him an APR of 7.5%, how long should he borrow the money so he can afford his monthly payment?
- a. 3.5 years
b. 4 years
c. 4.5 years
d. 5 years
- ___ 14. Lisa made this spreadsheet to compare her options when she decided to purchase a living room set on an installment plan.

	A	B	C	D	E	F
1	Purchase Price	Down Payment	Monthly Payment	Time in Months	Total of Payments	Finance Charges
2	\$2,300.00	\$200.00	\$125.00	24	\$3,000.00	\$
3	\$1,700.00	\$200.00	\$100.00	18	\$1,800.00	\$
4	\$2,500.00	\$200.00	\$140.00	20	\$2,800.00	\$

What spreadsheet formula should she input into F2?

- a. E2 - A2 - B2
b. A2 - E2 + B2
c. E2 - A2
d. A2 + E2
- ___ 15. Isabella wants to purchase a new refrigerator. When she applies for an installment loan at the appliance store, her loan application is turned down. What consumer law says that a lender must give her the reason, in writing, that she was denied the loan?
- a. Truth-in-Lending Act
b. Equal Opportunity Act
c. Fair Credit Reporting Act
d. Fair Debt Collection Practices Act
- ___ 16. Yanni received her monthly credit card statement in the mail, the summary of which is shown below. When she calculated the new balance for the month, she arrived at a different amount than the credit card company. What should be the correct new balance?

SUMMARY	Previous Balance	Payments / Credits	Transactions	Late Charge	Finance Charge	New Balance	Minimum Payment
	\$3,569	\$130.00	\$275.00	\$0.00	\$82.28	\$3,796.28	\$100.00
Total Credit Line	\$ 10,000.00			Average Daily Balance	# Days in Billing Cycle	APR	Monthly Periodic Rate
Total Available Credit	\$ 6,203.72			\$3,558.71	31	21%	1.75%

- a. \$3,576.28
b. \$3,676.28
c. \$3,766.28
d. \$3,776.28

