CONSUMER LOANS [PIRNOT 8.3]

EX 8.3.1: Carrie is buying a new motorcycle for \$6000 that she intends to pay off in 36 months.

The dealer's charging her an annual interest rate of 9% and uses the **Add-On Method** to compute her monthly payments.

(a) How much interest will she pay & what are her monthly payments?

(b) If she makes a down payment of \$1000, what will her monthly payments be then?

EX 8.3.2: Suppose you begin the month of June (which has 30 days) with a credit card balance of \$420.

The credit card transactions incurred during June are as shown:
The annual interest rate on your credit card is 20%.

DATE	**TRANSACTION**
June 4	Charged \$7.50 for restaurant meal
June 9	Returned wrist watch for \$18
June 12	Made payment of \$50
June 16	Charged \$26 for gasoline
June 25	Charged \$40 for groceries

(a) Compute the finance charge for next month using the **Unpaid Balance Method**.

(b) Compute the finance charge for next month using the **Average Daily Balance Method**.