

## Chapter Summary

**4.1 Promissory Notes**  
Multiply principal by interest rate and time to find interest on promissory note.

Divide interest to principal to find amount due on due date.

Divide one-year interest by principal to find interest rate.

## 4.2 Discounted Promissory Notes

Multiply principal by bank discount rate and time of note to find amount of discount.

Subtract amount of bank discount from principal to find net proceeds.

Divide bank discount by net proceeds to find true rate of interest.

## 4.3 Interest Tables

Divide loan amount by 100 to find number of \$100s in loan principal.

Multiply table interest by number of \$100s in principal to find interest.

Combine table multipliers when interest rate or time of loan isn't in table.

Find note due date by counting forward number of days or months from date of note.

Find days between two dates by adding number of days remaining in current month to days in each of succeeding months, up to due date.

# Chapter Review

## Vocabulary Review

adjusted balance method  
annual percentage rate  
average daily balance method  
bank discount  
cash advance  
down payment

exact interest method  
finance charge  
interest  
ordinary interest method  
periodic rate  
previous balance method

principal  
promissory note  
rate of interest  
time

Fill in each blank with one of the terms above.

- A way to find interest that uses a 365 day year is exact interest method.
- Interest on a promissory note collected in advance is bank discount.
- Interest, fees, and other charges paid on an installment loan or purchase is the finance charge.
- The true rate of interest on an installment loan is called annual percentage rate.
- The rate of interest on a credit card balance is called periodic rate.
- When you apply the periodic rate to the balance from the last statement and ignore purchases, fees, and payments from the current period, you are using the previous balance method.
- The amount charged for the use of money is called interest.
- The amount that is borrowed is called the principal.

## LESSON 4.1

- Phyllis Snow borrowed \$3,200 to pay for a cruise. She signed a 6-month promissory note at 18% interest. Find the amount of interest Phyllis must pay. Then find the amount she must repay to her bank when the note comes due. \$288; \$3,488
- Oki Saga signed a promissory note for \$1,500 at 8% interest for 90 days. Find the interest and amount due she will pay when the note is due using a) ordinary interest and b) exact interest. a) \$30, \$1,530; b) \$29.59, \$1,529.59
- Mohamed Jatmiko paid \$660 in interest on a 6-month note for \$5,600. Find the rate of interest he paid. 24%

## LESSON 4.2

- A bank discounted a \$2,600 noninterest-bearing note for Reba Deconcini at 12% interest for 6 months. Find the proceeds of the note. \$2,444
- Your bank discounted your 3-month, \$1,800, noninterest-bearing note. The discount rate was 15%. You received \$1,732.50 as proceeds. What true rate of interest, to the nearest tenth percent, did you pay on the note? 15.6%

## LESSON 4.3

- Find the interest on: a) \$470 for 10 days at 9%; b) \$470 for 40 days at 10%. a) \$1.16, b) \$5.58
- Find the due date of: a) a 3-month note dated May 31; b) a 20-day note dated Oct. 21. a) Aug. 31, b) Nov. 10

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## DIFFERENT LEARNING STYLES Auditory Learners

Have students spell the words out loud as they write the words that complete each vocabulary question to help them remember the word and how it is spelled.

16. Find the number of days from January 13 to March 15. 61 days

$$\begin{array}{r} 31-13 = 18 \text{ days in Jan} \\ 28 = 28 \text{ days in Feb} \\ 15 = 15 \text{ days in March} \\ \hline 61 \end{array}$$

### LESSON 4.4

17. You can buy a DVD player for \$250 cash or pay \$50 down and the balance in 12 monthly payments of \$18. What is the installment price? By what percent would your installment price be greater than the cash price? \$266; 6.4%
18. A stove costs \$525 on the installment plan. You must make a down payment of \$75 and make payments for 15 months. What will be your monthly payments? \$30
19. Hector Morales borrowed \$2,400 on a one-year simple interest installment loan at 12% interest. The monthly payments were \$220. Find the amount of interest, amount applied to the principal, and the new balance for the first monthly payment.

$$12 \times 18 = 216 + 50 = 266$$

$$266 - 250 = 16 / 250 = 6.4\%$$

$$525 - 75 = 450 / 15 = 30$$

$$2400 \times .12 \times \frac{1}{12} = 24 \text{ int}$$

$$220 - 24 = 196$$

$$2400 - 196 = 2204$$

### LESSON 4.5

20. Lisa Valente bought a TV and paid for it with a 6-month Rule of 78 installment loan. The total finance charge for the loan was \$120. She repaid the loan at the end of the third month. Find the amount of Lisa's earned and unearned finance charges. \$34.28
21. Rawal Jarish has a 12-month, \$6,300 Rule of 78 installment loan with a total finance charge of \$945. The monthly installment payments were \$603.75. He repays the loan at the end of 6 months. How much will Rawal pay to the bank? \$3,971.86

$$6300 \times .12 = 756$$

$$756 - 120 = 636$$

$$603.75 \times 7 = 4226.25$$

$$12692 \times 945 = 254$$

$$4266.25 - 254.4 = 3971.86$$

$$\frac{39}{400} \times 100 = 9.75$$

### LESSON 4.6

22. Maria Medina borrowed \$400 on a 12-month loan with a finance charge of \$39. Find the finance charge per \$100 of the amount financed and the annual percentage rate.

$$9.75, 17\frac{1}{2}\%$$

### LESSON 4.7

23. Derek Wilson checked his credit card statement and found a sales slip for \$26.99 that was unauthorized. He also found that a sales slip for \$35.89 had been listed as \$38.59. If the new balance on his statement was \$140.68, what is his correct new balance? \$110.99
24. Loni Dramin's credit card statement for April showed a membership fee of \$55, a late fee of \$25, a finance charge of \$6.45, and an over-the-limit fee of \$12. What was the total cost of the card to Loni in April? \$98.45

$$140.68$$

$$- 26.99$$

$$- 38.59 + 35.89 = 110.99$$

$$55 + 25 + 6.45 + 12 = 98.45$$

### LESSON 4.8

25. Juan Mendoza's credit card statement for October showed a previous balance of \$239.80, new purchases and fees of \$174.50, and payments and credits of \$95. The card's annual percentage rate is 24% and daily periodic rate is 0.06575%. What is Juan's finance charge and new balance for October using these methods: a) previous balance, b) adjusted balance? c) average daily balance? a) \$4.80; \$324.10 b) \$2.90; \$322.20 c) \$7.01; \$326.31
26. Ula Johan borrowed \$250 on a cash advance from her credit card company. She was charged a cash advance fee of \$14 and a daily periodic interest rate of 0.053% for the 25 days the loan ran. What was the total amount Ula had to pay to end the loan? \$267.31

$$250 \times .00053 = .1325 \times 25 \text{ days} = 3.31$$

$$+ 14.00$$

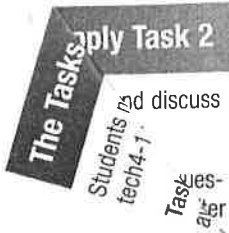
$$+ 250.00$$

$$267.31$$

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#### Lesson

- Add pay pri
- S



- Divide finance price to find percent installment price is greater than cash price.
- Subtract down payment from installment price to find remaining amount to pay.
- Divide remaining amount to pay by number of months to pay to find monthly payment.
- Subtract interest from monthly payment to find amount applied to principal.
- Subtract amount applied to principal from previous balance to find new balance.

#### Lesson 4.5 Early Loan Repayments

- Multiply total finance charge by refund decimal rate to find unearned finance charge.
- Subtract unearned finance charge from total finance charge to find earned finance charge.
- Find total of remaining payments on a Rule of 78 loan.
- Find finance charge refund percentage in loan refund table. Multiply total finance charge by that percent to find unearned finance charge.
- Subtract unearned finance charge from total remaining payments to find amount needed to repay loan.

(cont. on p. 186)

Prev Bal  

$$F.C. = 239.80 \times \frac{24\%}{12} = 4.80$$

$$N.B. = 239.80 + (174.50) - 95 = 324.10$$

Adj Bal  

$$Adj Bal = 239.80 - 95 = 144.80$$

$$F.C. = 144.80 \times \frac{24\%}{12} = 2.90$$

$$N.B. = 144.80 + 2.90 + 174.50 = 322.20$$

## TEACHING STRATEGIES Chapter Review

If the Chapter Review is assigned as class work, have selected students work at the board so that seated students can compare the steps they used to solve the problem with others. As students finish at the board, discuss

each board solution in terms of the answer and the steps used to solve it. Try to select students for board work that you are reasonably sure will do the problem correctly.