

Making a Down Payment

If you plan to pay for a large purchase over many months, most stores will ask for a down payment or deposit. A down payment is one large payment you make before you take the item home.

The rest of the item's price is called the balance. The finance charge is figured on the balance. So, your payments (and the finance charges) will be less if you can make a larger down payment.



Directions: Find the balance due for each item below bought on credit.

Example: Doug Jones bought an \$800 home computer on credit. Doug made a down payment of \$150.

- (a) What is the balance? ($\$800 - \$150 = \$650$)
The balance is \$650.
- (b) If the finance charge was \$117, what would he pay in all?
($\$800 + \$117 = \$917$. He would pay \$917 in all.)



- 1. Carol Lee also bought a home computer on credit.
The cash price was \$800.
She made a down payment of \$50.

- (a) What is the balance? _____
- (b) If the finance charge is \$135, what would she pay in all? _____
- (c) Who will pay more for the same computer, Carol Lee or Doug Jones?



- 2. Hap Sullivan bought a new suit for work.
The cash price was \$175.99.
He paid \$25 as a down payment.

- (a) What was his balance? _____
- (b) If the finance charge was \$27, what did Hap pay in all for his suit? _____
- (c) If Hap had paid a \$50 down payment, would he have paid more or less in all for his suit? _____
- (d) If Hap had paid cash, would he have ended up paying more, less, or the same for the suit? _____

- 3. Margaret Lund bought a used boat for \$3000.
She made a down payment of \$375.

- (a) What is the balance? _____
- (b) If the finance charge was \$540, what did she pay for the boat in all?

- (c) How might she have paid less finance charge? _____

