

Chapter 4 Planned Buying Other 8-1 Assignment

Read Section 8-1 in the textbook packet and answer the following questions.

Questions 1-15: Determine if the following statements are True or False.

- _____ 1. The principles of planned buying are especially useful when you are purchasing vehicles and other expensive products.
- _____ 2. Needs and wants should both be considered necessities.
- _____ 4. Prioritizing wants becomes easier when a decision has multiple facets.
- _____ 5. Buying on impulse not only results in higher spending but failure to obtain what is really wanted.
- _____ 6. Buying items that are on sale is only helpful when you will really use the item.
- _____ 7. Sellers should not be used as information sources in preshopping research since they have a vested interest in selling you their products and services.
- _____ 8. When shopping for any product, it may help to review publications on a more specific topic, such as PC World. Bear in mind that trade magazines accept advertising for the products they report on and may not be as unbiased as Consumer Reports.
- _____ 9. A car's sticker price is the manufacturer's suggested retail price.
- _____ 10. The sticker price on a new car is typically the final sales price.
- _____ 12. New car manufacturers are required to disclose the vehicle's overall environmental impact in a window sticker.
- _____ 15. You can estimate the trade-in value of your car on the websites for the National Automobile Dealers Association, Edmunds, or Kelley Blue Book.

Questions 73-85: Determine the best answer.

- _____ 73. Which of the following would most likely be considered a need rather than a want?
 - A. Airbags
 - B. Air conditioning
 - C. Automobile
 - D. Automatic transmission

- _____ 77. Consumer Reports comprehensive review of makes and models of vehicles occurs annually in its _____ edition.
 - A. January
 - B. April
 - C. September
 - D. December

- _____ 78. Consumer Reports annual buying guide is published in
 - A. January
 - B. April
 - C. September
 - D. December

- _____ 82. Brian has decided he would like to negotiate on a car with a \$32,000 sticker price. If the dealer's cost on this car is 15 percent lower than the sticker price, Brian should be able to negotiate a price somewhat higher than
A. \$32,000. B. \$28,800. C. \$27,200. D. \$30,400.
- _____ 83. Dividing the price of a product by the number of times it will likely be used provides its _____ and provides a way to compare among competing purchase options.
A. item price B. cost-per-use C. bottom line D. unit-price.
- _____ 84. The true cost of a new automobile to the dealer is
A. the invoice price B. the manufacturer's suggested retail price.
C. the dealer holdback. D. none of these.
- _____ 85. The true cost of an automobile to the dealer is
A. the sticker price. B. the manufacturer's suggested retail price.
C. invoice price. D. invoice price less any dealer discounts.

Also do:

Concept Check:

Textbook Packet Page 228 #1-4

OVER ==>

VARIOUS FINANCING SCENARIOS

You want to buy a \$20,000 car with a 4 year loan. Use the bankrate.com to see the effects of various financing options.

- Go to bankrate.com
- Touch the 3 dashes on the top left.
- Select loans.
- Slide down and select Student Loans.

Scenario 1: No down payment

- Loan Amount: \$20,000
- Loan Term in Years: 4 (Don't change "terms in months")
- Interest Rate: 5

S1a. Monthly payment: \$_____

S1h. Total Interest Paid \$_____

- Click on the "Show Amortization Schedule"

Fill in the Amortization schedule below:

	Payment	Principal	Interest	Balance
First Payment	S1a.	S1b.	S1c.	S1e.
Last Payment	S1a.	S1f.	S1g.	S1i.

Scenario 2: A 20% down payment

- Change the "Loan Amount" to \$16,000
- Click on "Calculate"

S2a. Monthly payment: \$_____

S2h. Total Interest Paid \$_____

- Click on the "Show Amortization Schedule"

Fill in the Amortization schedule below:

	Payment	Principal	Interest	Balance
First Payment	S2a.	S2b.	S2c.	S2e.
Last Payment	S2a.	S2f.	S2g.	S2i.

S2J: How much less interest did you pay by increasing your down payment: \$_____ (Hint: Compare S1h to S2h.)

Scenario 3: You do a 6 year loan

- Change the "Loan Amount" to \$20,000
- Change the "Loan Term in Years" to 6
- Click on "Calculate"

S3a: How much interest will you pay? \$_____

S3b: How much did it cost you increase the length of your loan: \$_____ (Hint: Extra cost = Scenario 3 interest – Scenario 1 interest)

Scenario 4: You have a "low credit score" which results in a higher interest rate

- Change the "Interest Rate" to 18

S4a: How much interest will you pay? \$_____

S4b: How much did your low credit score cost you? \$_____ (Hint: Extra Cost = Scenario 4 interest - Scenario 3 interest)