

Name Quiz Review Answer

**Finance - Buying a Car Quiz Review**

1) Complete the following two charts based on the information given. Use **0.08625** for NY State sales tax:

Buy Car - No Trade-In		Buy Car With A Trade-In	
Purchase Price of Car	\$32,000	Purchase Price of Car	\$32,000
Sales Tax $\times 0.08625$	\$ 2760	Trade-In Amount of Old Car	\$7,000
Total Cost to Buy Car	\$ 34,760	Balance (Amount Now Owed on New Car)	\$ 25,000
		Sales Tax on Balance Only $\times 0.08625$	\$ 2156

- a) By trading in their old car, how much will this customer save in sales tax?  $2760 - 2156 = 604$
- b) How much would the customer have to sell their old car for privately in order to get a better deal than the dealer's trade-in offer?  $7000 + 604 = 7604$  So probably need to sell for more than \$8000 probably
- Trade Savings = 604*

**Question 2 - Assume a 60 month loan at 2.64% - COMPLETE ENTIRE CHART**

1	Agreed Upon Price of Car:	\$39,990
2	Trade-In Credit from Old Car	- \$11,500
3	Amount Owed on New Vehicle	\$28,490
4	NY State Sales Tax Owed (Multiply Line 3 by .08625)	+ \$ 2457
5	Total Cost of Vehicle to Purchaser (Add Line 3 and Line 4)	\$30,947
6	Additional Down Payment	- \$0
7	Amount Financed (Subtract Line 5 - Line 6)	L = \$30,947
8	Monthly Car Payment (Use Calculator Program)	\$551
9	Amount of Payments (How Many Months)	60
10	Amount Paid to Loan (Multiply Line 8 * Line 9)	\$33,060
11	True Total Cost of Car (Add Line 6 and Line 10)	\$33,060

**Question 3 - Compare Purchasing (2.54% Loan at 60 Months) vs. Leasing (39 Months) on a 2021 Ford Explorer**

Agreed Upon Price of Car:	\$49,220	Agreed Upon Price	\$49,220
Trade-In Credit from Old Car	- \$12,000	Predicted Residual Value	- \$27,750
Amount Owed on New Vehicle	\$37,220	Depreciation Amount	\$21,470
NY State Sales Tax Owed $\times 0.08625 =$	\$ 3,210 +	Acquisition and Disposition fees	+ \$1750
Total Cost of Vehicle to Purchaser	\$40,430	"Loan" Amount for Lease	L = 23,220
Additional Down Payment	- \$0	Lease Interest Rate	R = .05
Amount Financed	L = \$40,430	Lease Term	N = 39 months
Monthly Car Payment	\$718	Monthly Payment	646
Number of Payments	60	Sales Tax (on Depreciation Only)	1851
Amount Paid to Loan	\$43,080	Total Paid to Lease $646 \times 39$	25,194
True Total Cost of Car + Downpayment	\$43,080	Total Cost to Lease Car + 1851 =	27,045

- A) What is the difference in monthly payments between purchasing and leasing?  
 $718 - 646 =$
- B) If this customer usually keeps their cars for about 6 and a half years, which option should they choose?  
 4 yrs or less prob Lease  
 Keep Car 5 years or more Prob Buy