Interest Rates

Interest rates is the cost of borrowing money or the reward for saving money. E.g. loans and savings accounts.

Read the following questions and work out the interest rate.

Q1. Thomas went to the bank and borrowed £10,000 to buy a new car. He went to the dealership and got himself a sick 2nd hand Golf GTI. He thought he got a good deal from the bank when he only had to payback £12,250. What was the interest on his loan?

wawd

Q2. Thomas was showing off his doughnut skills down the local car park trying to impress his friends and a girl. He spoke to Jamie about his car and the loan he got from the bank. Jamie was shocked when he heard how much he paid back in interest. He said you should have got a credit card instead because the interest rate is only 17.5%. Work out what Thomas would have paid if he used a credit card.

wawd

Q3. How much would Thomas have saved if he took Jamie’s advice?

Q4. Charlotte is starting her own business selling bobble hats for the winter season. She needs a lot of stock so she borrows £4000 from the bank and pays back £250 per month for 2 years. What is the rate of interest over the 2 year period?

jnb

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Q5. Charlotte decides to expand her product range and to have another income stream. She decides to sell scarves and gloves also. She needs to get another loan so she can start trading straight away. She borrows £12,000 from the bank and pays £250 per month over a 5 year period. What is the interest rate over the 5 year period?

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Q6. Can you explain the difference in the interest rates offered to Charlotte from the bank, why is the larger loan at a different interest rate? Explain your answer from the point of view of the bank.