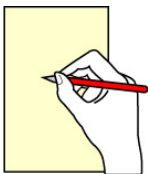# Buy now, pay later? – Part 3

This part of the task gives you a chance to try out your skills and check your progress with some typical questions from the National Certificate.
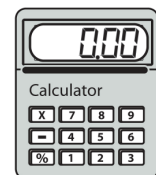
It also contains the answers to all the activities in Part 1 and Part 3.

Try it out

Now try out your skills by doing the following two tasks.

Task 1

Gary is looking to buy a new mobile phone and is considering different options.

Option A

He can get a model XC 300 for £30 a month on a 12-month contract. This package offers the phone free.

Option B

He can get a model XC 200 for £20 a month on a 12-month contract. It will cost £120 for the phone.

The information about the two options is summarised in the following table:

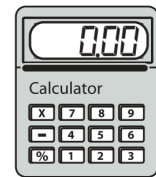| Deals on a 12-month contract		
Package	Monthly payment	Cost of phone
XC 300	£30 per month	FREE
XC 200	£20 per month	£120

1 **How much would it cost Gary altogether for the XC 300 for 12 months?**

2 **How much would the XC 200 cost?**

3 **What is the difference in cost between the two options in the first month?**

Build your skills for managing your money
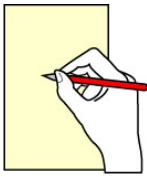
Task 2

Mary needs to replace her computer. The computer she wants to buy will cost £480 and she is thinking about how to pay for it.

Mary could save up a regular amount until she has enough money to buy the computer outright.

1   If she saves £40 per month, how long would it take her to save up enough money to buy the computer?

Mary decides she wants the computer sooner than this. So, she investigates other possible ways to pay for the new computer.

Option A   She enquires about getting a loan from her bank.

She can borrow £480 and pay it back in monthly instalments over four years. This will cost £10 per month and will incur an interest charge, which works out as £1 per month.

2   How much will it cost her to borrow the £480 through option A?

Option B   Her friend suggests a company, which offers small loans locally. These are paid back through a regular repayment each month.

The following table shows the monthly repayment amount for a loan of £480 depending on the term over which the money is repaid:

	6 months	12 months	18 months	24 months
Monthly repayment	£110	£55	£40	£25

3   If she chooses this option, how much will it cost her to borrow the money she needs through option B if she repays it over 12 months?

4   Which option would you recommend that she choose – and why?

Questions to check on your progress

These questions are similar to the Progress check – confidence-building tests and sample tests from the Learner Route. In the National Certificates you can't use a calculator, but because some of the tasks we need to do in money management cover skills at different levels, you can use one here if you wish.

Q1 This question is about a café. The cost of two sandwiches is shown on the calculator screen. What is the cost in pounds and pence?

A	Three pounds and five pence
B	Three point five pounds
C	Three point five pence
D	Three pounds and fifty pence

Q2 This question is about the costs of home media products. These are the prices a company charges for media products. Which is the correct way to work out the **total cost per month** for digital television, broadband and a mobile phone on a calculator?

Digital television	£11.50 per month
Broadband	£18.00 per month
Mobile phone	£14.46 per month

A   `1 1 5 + 1 8 + 1 4 4 6 =`

B   `1 . 1 5 + . 1 8 + 1 4 . 4 6 =`

C   `1 1 . 5 + . 1 8 + 1 4 . 4 6 =`

D   `1 1 . 5 + 1 8 + 1 4 . 4 6 =`

Q3 This question is about the costs of home media products. These are the prices a company charges for media products. Which calculation gives the **closest estimate** of the mobile phone for twelve months?

Digital television	£11.50 per month
Broadband	£18.00 per month
Mobile phone	£14.46 per month

A   12 × £14

B   12 × £14.40

C   12 × £14.50

D   12 × £15

Q4 This question is about the costs of home media products. The total cost of a package for TV, phone and broadband altogether is thirty-five pounds a month.

How much does this package cost for six months?

A   £21

B   £41

C   £180

D   £210
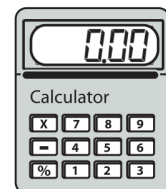
Q5 This question is about buying a new car. The car she chooses to buy will cost £39.84 each month to insure.

Which calculation gives the closest estimate of the cost of insurance for twelve months?

A   12 × £39

B   12 × £39.80

C   12 × £39.90

D   12 × £40

Q6 This question is about buying a new car. The road tax for this car costs £165 for six months.

How much is the cost per month?

A   £26.00

B   £27.00

C   £27.50

D   £28.00
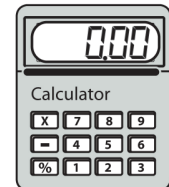
Answers to questions in Part 1

Activity 1 (answers)

Payment amount, frequency and length	Calculation to work out total amount
Monthly payment of £12.00 for 1 year	£12 × 12 months
Weekly payment of £5.00 for 1 year	£5 × 52 weeks
Monthly payment of £25.00 for 3 years	£25 × 12 months × 3 years
Monthly payment of £30.00 for 2 years	£30 × 12 months × 2 years
Weekly payment of £6.00 for 2 years	£6 × 52 weeks × 2 years
Weekly payment of £10 for 26 weeks	£10 × 26 weeks
Monthly payment of £40 for 5 years	£40 × 12 months × 5 years
Monthly payment of £125 for 10 years	£125 × 12 months × 10 years

Activity 2 (answers)

Payment for item	Admin fee	Cost of item	+	Admin fee
Monthly payment of £12.00 for 1 year	£25	£12 × 12	+	£25
Monthly payment of £5.00 for 1 year	£10	£5 × 12	+	£10
Monthly payment of £25.00 for 3 years	£12	£25 × 12 × 3	+	£12 × 3
Monthly payment of £30.00 for 2 years	£6 per year	£30 × 12 × 2	+	£6 × 2
Monthly payment of £6.00 for 2 years	£10 per year	£6 × 12 × 2	+	£10 × 2
Monthly payment of £40 for 5 years	£10 per year	£40 × 12 × 5	+	£10 × 5

Build your skills for managing your money

Activity 3 (answers)

Total payment	Number of instalments	Calculation to work out cost of one instalment	Cost of each instalment
£240	6	£240 ÷ 6 instalments	£40 per instalment
£500	5	£500 ÷ 5 instalments	£100 per instalment
£600	12	£600 ÷ 12 instalments	£50 per instalment
£750	5	£750 ÷ 5 instalments	£150 per instalment
£960	12	£960 ÷ 12 instalments	£80 per instalment
£1 000	10	£1 000 ÷ 10 instalments	£100 per instalment
£1 200	10	£1 200 ÷ 10 instalments	£120 per instalment

Activity 4 (answers)

Payment amount	Admin fee	Total amount to pay	Amount per instalment
£200 over 10 instalments	£20	£200 + £20 = £220	£220 ÷ 10 = £22
£300 over 6 instalments	£24	£300 + £24 = £324	£324 ÷ 6 = £54
£500 over 10 instalments	£10	£500 + £10 = £510	£510 ÷ 10 = £51
£360 over 6 instalments	£12	£360 + £12 = £372	£372 ÷ 6 = £62
£450 over 9 instalments	£45	£450 + £45 = £495	£495 ÷ 9 = £55
£720 over 6 instalments	£30	£720 + £30 = £750	£750 ÷ 6 = £125
£720 over 8 instalments	£24	£720 + £24 = £744	£744 ÷ 8 = £93

Activity 5 (answers)

Amount of item	Admin fee (as a %)	Amount of admin fee (in pounds)	
£400	5%	£5 for every £100; £400 is 4 lots of £100	⇨ 4 × £5 = **£20**
£300	5%	£5 for every £100; £300 is 3 lots of £100	⇨ 3 × £5 = **£15**
£600	10%	£10 for every £100; £600 is 6 lots of £100	⇨ 6 × £10 = **£60**
£500	2%	£2 for every £100; £500 is 5 lots of £100	⇨ 5 × £2 = **£10**
£500	8%	£8 for every £100; £500 is 5 lots of £100	⇨ 5 × £8 = **£40**
£400	12%	£12 for every £100; £400 is 4 lots of £100	⇨ 4 × £12 = **£48**

Activity 6 (answers)

Amount of item	Admin fee (as a %)	Amount of admin fee (in pounds)	The number in brackets is what appears on the calculator
£120	6%	£7.20	(7.2)
£125	5%	£6.25	(6.25)
£300	5%	£15.00	(15)
£250	10%	£25.00	(25)
£500	8%	£40.00	(40)
£125	8%	£10.00	(10)
£700	12%	£84.00	(84)
£125	10%	£12.50	(12.5)
£250	5%	£12.50	(12.5)
£325	5%	£16.25	(16.25)
£460	12%	£55.20	(55.2)

Thinking about 0% interest

There are several reasons why companies might offer 0% interest deals. Two possible reasons are:

1   They may want to provide an incentive for you to buy so that they can make the sale. If they feel they can afford to wait for a while until they actually get the money from you, they may offer a 0% interest deal.

2   The 0% interest deal is for a fixed term. If you get to the end of this period and haven't yet paid for the full cost of the item you've bought, you will pay interest on the money you've borrowed. Usually when you sign up for the deal, the company will ask you to set up a direct debit. This will automatically kick in after the 0% interest rate has expired – and you will start to pay interest on the money you still owe.

For this reason it is important to understand the full details about the deal you are offered. For more information and practice on this, look at the literacy Build Your Skills task: 'Choosing goods or services'.

Try it out (Answers)

Task 1

1   It would cost Gary £360 for the XC 300.

   £30 × 12 months = £360

2   It would also cost £360 for the XC 200.

Cost monthly payments	+	Cost of phone
£20 × 12 months = £240	+	£120

3   The payments in the first month would be:

XC 300	Cost of monthly payment
	£30

XC 200	Cost of monthly payment	+	Cost of phone	
	£20	+	£120	**= £140**

Task 2

1   If she saves £40 per month, it would take her **12 months** to save up enough money to buy the computer outright.

How many
£40 in £480?

£480 ÷ £40 = 12 months

2   Borrowing the £480 through **option A** will cost **£528**.

Payment for item (per month)	Interest charge (per month)	Cost of item	+ Admin fee	
£10 for 4 years	£1 per month	£10 × 12 months × 4 years	+	£1 × 12 × 4
		= £480	+	£48

3   If she chooses **option B**, it will cost her **£660** to borrow the money over 12 months.

	6 months	12 months	18 months	24 months
Monthly repayment	£110	£55	£40	£25

   £55 × 12 monthly payments = £660

4   Which option did you recommend?

   Option A is the cheaper way of borrowing the £480.

Build your skills for managing your money

Progress Check (Answers)

Q1   **D**   three pounds and fifty pence

Q2   **D**   11.5 + 18 + 14.46

Q3   **C**   12 × £14.50   *(£14.46 is roughly £14.50. Multiply this by 12 months.)*

Q4   **D**   £210   *(£35 × 12)*

Q5   **B**   12 × £39.80   *(£39.84 is roughly £39.80. Multiply this by 12 months.)*

Q6   **C**   £27.50   *(£165 ÷ 6 months)*

What next?

If you decide you would like to gain a certificate in numeracy, try a sample test at Entry 3 and, if you have any skills gaps, work through the resources on the learner route to build your skills ready for assessment.

If you decide you would like to gain a certificate in literacy, try the mini-test on the English Learner Route to find the best level to start at.

You can work through the resources on the route to build your skills in preparation for taking the test.

Find out more about the National Certificates by visiting the guide at www.move-on.org.uk/ilr_php/resources/Guide_to_National_Certificates.pdf.

You can find a test centre that suits you at www.move-on.org.uk/findatestcentre.asp.

To find out more about a financial capability qualification, go to www.fin-lit-qualifications.org.uk.