2.2 Spending and investing

Name: ____________ Class: ________ Date: __________ **Total: 11 marks**

KEY WORDS credit 信贷 • interest 利息 • compound interest 复利 • investment 投资 • risk 风险

Objective

Compare cash, **credit 信贷**, interest, and investment risk before making a financial decision.

You must be able to:

- calculate total repayments
- distinguish simple and compound interest
- explain risk and diversification

1 Worked examples

■ Compare the total commitment

A laptop costs 4,800 yuan in cash or twelve payments of 450 yuan.

$$12 \times 450 = 5400 \text{ yuan}$$

Credit costs 600 yuan more. The decision depends on whether having the laptop now is worth that cost.

■ Risk is not a promise

An investment can rise or fall. Diversification spreads money across investments so one poor result does not decide everything.

2 Practice

2.1 Calculate the total cost of ten payments of 320 yuan. [1]

2.2 State which kind of interest adds interest to earlier interest. [1]

2.3 Explain one reason diversification can reduce risk. [2]

3 Exam-style questions

3.1 A phone costs 3,600 yuan in cash or twelve payments of 330 yuan. Calculate the extra cost of credit. [3]

3.2 Recommend whether a student should use credit for a necessary laptop. Justify your answer using a financial trade-off. [4]

Solutions

2.1

$$10 \times 320 = \mathbf{3200} \text{ yuan}$$

2.2

- **Compound interest**

2.3

- Money is spread across different investments.
- One poor result has less effect on the whole amount.

3.1

- Instalments: $12 \times 330 = 3960$ yuan.
- Extra credit cost: $3960 - 3600 = \mathbf{360}$ yuan.

3.2

- A necessary laptop may allow study or work immediately.
- Credit costs more and creates a repayment commitment.
- **Recommendation:** use it only if the planned repayments are affordable and the immediate need outweighs the extra cost. (E1)