

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]