

2.4 – Buy, Rent or Lease

1. A landscaping company needs a small tractor to use from March to November. Based on the costs below, should the company buy, rent or lease?

A) A new tractor costs \$18600 and can be financed at 5.6%, compounded monthly, with monthly payments for 9 months.

N =	FV =
I =	P/Y =
PV =	C/Y =
PMT =	END

The monthly payment on the loan is _____.

The total paid for the tractor is _____.

B) Renting a tractor will cost \$60 a day (assume 20 working days per month)

The total cost to rent the tractor for 9 months is _____.

C) Leasing costs are \$2000 down and \$1345 per month for 9 months.

The total cost to lease the tractor for 9 months is _____.

2. Joe is a house painter and needs scaffolding for his next job. Consider his options below:

A) Buy new scaffolding for \$1200 + 12% HST.

Cost: _____

B) Rent steel scaffolding for \$340 per month.

Cost: _____

C) Buy used scaffolding at 60% of the purchase price when new.

Cost: _____

If the job will take 3 months to complete, which of the options is better for Joe? _____

If the job will take 6 months to complete, which of the options is better for Joe? _____

