## 2.4 – Buy, Rent or Lease

Name:				

Block: \_\_\_\_\_

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.

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

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? \_\_\_\_\_

<ol><li>Jake and Archie are looking for places to</li></ol>	live.
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- Jake decides to rent a house for \$1400 per month
- Archie buys a house for \$189 900, with a down payment of 10%. The bank has offered Archie a 20-year mortgage for the remainder of the cost, at 4% compounded semi-annually, with monthly payments.

Jake and Archie both move after 5 years. Archie's house has depreciated by 2% per year. Compare Jake's and

	s housing costs.	is the shouse has depresented by 270 per year. Compare sake 5 and		
<u>Jake</u> :				
		Total cost for 5 years:		
Archie:				
<u>/ oc</u> .				
a)	What is the down payment, ar	nd what is the value of the mortgage?		
b)	What is the monthly payment?			
-	N =	FV =		
	I =	P/Y =		
	PV =	C/Y =		
	PMT =	END BEGIN		
c)	What is the total amount paid	on the mortgage after 5 years?		
d)	What is the balance of the mortgage (amount still owing) after 5 years?			
	N =	FV =		
	I =	P/Y =		
	PV =	C/Y =		
	PMT =	END BEGIN		
e)	What is the resale value of Archie's house after 5 years?			
f)	How much will Archie profit after selling his house and paying off the remainder of his mortgage?			
g)	What is the total cost to Archic the profit from the sale)?	e after 5 years (including the down payment and mortgage payments, less		
		Total cost for 5 years:		

Are there any other costs associated with buying/owning/selling a house that were not considered?