

# A Financial Report HIGH LEVEL 1

**A**

## Assets as of July 31<sup>st</sup> 2002 (closing date)

### Savings Account

$$\begin{aligned}
 P &= P(1+RT) \\
 &= 12,000(1+0.0101 \times 0.75) \\
 &= \$12,909.90
 \end{aligned}$$

### Two Bonds

$$\begin{aligned}
 FV &= P(1+i/n)^n \\
 &= 5000(1+0.59/2)^{3.5 \times 2} \\
 &= 5000(1+0.295)^7 \\
 &= 5000 \times 1.243648 \\
 &= \$6218.42 \times 2 \text{ (bonds)} \\
 &= \$24,436.84
 \end{aligned}$$

### Savings per month (Oct.-Jul.)

\$26,340.03	
Net annual income \$50,000/12 =	\$4,166.67
<b>LESS: Expenses</b>	
Rent	\$750
Food	300
Life insurance	30
Car insurance	100
Entertainment	<u>40</u>
<b>Total</b>	1,240

Net savings \$2,926.67

From Oct.-Jul. total savings (\$2,926.67 X 9mth) \$26,340.03  
 TOTAL \$12,909.90 + 24,436.84 + 26,340.03 = \$63,686.77

### LESS: Additional Costs

Moving cost	120
Legal fees	750
Land transfer tax	<u>2500</u>
<b>TOTAL</b>	3370

### LESS: Monthly Utility Fees

Telephone 50

**B**

Hydro	80
Gas	120
Property tax	180
Car insurance	95
Life insurance	30
Credit cards	60
Food	280
Cable	40
Mortgage payments	685

### Mortgage amount recommended:

Purchase price of house	\$150,000.00
Less: down payment	<u>45,000.00</u>
Required Mortgage	\$105,000.00

Principle	Amort.	Monthly	Interest	Terms
105,000	15	923.74	6.75	3
105,000	20	792.58	6.75	3
105,000	25	719.30	6.75	3

**TOTAL \$1620**

### Available cash for down payment

$$\$63,686.77 - 3370.00 - 1620.00 = \$58,696.77$$

Recommended down payment (30% X 150,000) \$45,000.00

Therefore, remaining balance is

$$\$58,696.77 - 45,000.00 = \$13,696.77$$

## HIGH LEVEL 1

C

As your financial advisor, I recommend that you use the \$12,000 in your savings account plus cashing in your two bonds valued at \$24,436.84. This will provide a sufficient amount of money to purchase your \$150,000 house. I would like to suggest that you put 1/3 down of the purchase price as a down payment equaling \$50,000(33%) I feel that the best mortgage is to go for a 3 years closed at 6.75% over 25 years. After the purchase, down payment and all other costs, you still have approximately \$8,696.77 in savings. In Summation, the information that I have presented you concludes that your family is financially stable enough to afford the purchase of your new home so long as your annual income remains consistent with the financial information you have provided.

D

## BIBLIOGRAPHY

- 1) [www.██████████](http://www.██████████)
- 2) [www.legalline.ca](http://www.legalline.ca)
- 3) [www.canoe.ca](http://www.canoe.ca)
- 4) [www.cmhc-schl.gc.ca](http://www.cmhc-schl.gc.ca)
- 5) Mathpower 11 (Math textbook)

**Teacher's Notes****Knowledge/Understanding**

- The student generates calculations with limited accuracy. The mortgage calculations are correct, but the calculations themselves are not shown. The calculation of the amount in the savings account contains a major error. The compound interest calculations contain errors.

**Thinking/Inquiry/Problem Solving**

- The student provides an analysis of the client's financial situation with limited detail. The student does consider the money in the bank and in bonds, and presents a reasonable budget. However, the student makes major errors in logic (e.g., savings per month of \$2926.67 for nine months until the closing date).
- The student recommends a down payment and justifies it with limited effectiveness. The down payment is based on available funds and closing costs. However, the minimum down payment of 5% is not mentioned, and there are several errors in logic that make the down payment unrealistic.
- The student analyses various mortgage options with limited accuracy. The student varies the amortization period, but not the down payment or the term. The student does not calculate the amount of interest paid in each case.

**Communication**

- The student integrates narrative and mathematical forms with some effectiveness. The student's calculations include titles and labels, and there is a short summary at the end of the report. The student does not include sufficient narrative, and does not fully integrate narrative and mathematical forms.
- The student communicates information in mathematical language with some effectiveness. However, the use of the dollar sign is inconsistent throughout the report. The formula " $FV = P (1+i/n)^n$ " is written without exponents.

**Application**

- The student recommends a mortgage and justifies it with limited clarity and effectiveness. A 3-year term and 25-year amortization period are selected but the only justification is an indirect reference ("... your family is financially stable enough ..."). Neither the term nor the amortization period is mentioned in justifying the choice of a mortgage.

**Comments**

This work is representative of a high level-1 performance. The student demonstrates a limited degree of achievement of the expectations in the Knowledge/Understanding, Thinking/Inquiry/Problem Solving, and Application categories of knowledge and skills. However, in the Communication category, the student demonstrates some degree of achievement – i.e., achievement that is more characteristic of level 2.

**Next Steps**

In order to improve his or her performance, the student needs to:

- improve calculations;
- provide more detail and justification;
- integrate narrative and mathematical forms more effectively.