0% FOR 24 MONTHS, NOTHING DOWN
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1. Kelsey and Cody want new living room furniture. They see a flyer in Sunday’s newspaper for XYZ, offering free money for 24 months (or so they think). At the store, they pick out a leather sofa and two ottomans. The sofa is $1,499 and each ottoman is $299. Are they eligible for the promotion? Why or why not?

2. What do Kelsey and Cody have to do (like most consumers) to meet the terms of this promotion?

3. In addition to the three-piece sofa set above, Kelsey and Cody also purchase a $249 coffee table and $199 end table. What is the total amount financed, including $153 for tax and $75 for delivery?

4. According to the conditions above, what should their monthly payment be? If Kelsey and Cody do not send their payment in on time, what will the following month’s payment be?

5. Kelsey and Cody have been making payments on this furniture for 18 months, but Cody gets laid off from his job and their income drops substantially. They are unable to stay current on their account, even though they have paid $2,070 of the bill. According to the above terms, what happens to their bill?

6. Which finance charge will apply to them?

7. Assume they are back-charged that rate from the beginning of the promotional period, how much will they owe in finance charges for the first year?

8. What is the minimum amount they would have saved if they paid cash? (Hint, think about their original intended purchase.)