

Form 4: Chapter 10
Consumer Mathematics: Financial Management
Fully-worked Solutions

UPSKILL 10.1

- 1 (a) Setting goals
(b) Evaluating the financial position
(c) Creating a financial plan
(d) Implementing the financial plan
(e) Reviewing and evaluating the progress
- 2 To be thrifty and not to buy unnecessary expensive items.
- 3 To evaluate the financial position each month to determine whether or not he/she is heading towards achieving the goals set.

- 4 S – Specific
M – Measurable
A – Attainable
R – Realistic
T – Time-bound

5 (a) $\text{Loan} = P + Prt = 40\,000 + 40\,000(0.03)(5) = \text{RM}46\,000$

$$\text{Monthly instalment} = \frac{46\,000}{5 \times 12} = \text{RM}767$$

- (b) Specific – Buying a new Perodua Bezaa car.
Measurable – The bank loan is RM46 000.
Attainable – Can be achieved by saving RM767 a month.

Realistic – The monthly instalment is only $\frac{767}{5\,500} \times 100 = 14\%$ of his monthly salary. Hence, it is realistic.

Time-bound – Settle the debt within five years.

Summative Practice 10

Multiple-Choice Questions

- 1 Planning strategy to speculate in share markets is not a criterion in financial management.
Answer: C

- 2 T represents time-bound and not handling constraints.
Answer: D

Study the financial market is not a criterion in creating financial plans.
Answer: D

- 3 Study the financial market is not a criterion in a financial plan.

4 $\text{Loan} = P + Prt = 68\,500 + 68\,500(0.035)(5) = \text{RM}80\,487.50$

$$\text{Monthly instalment} = \frac{80\,487.50}{5 \times 12} = \text{RM}1\,341$$

Answer: B

$$5 \text{ Loan} = \frac{80}{100} \times 4\,000 = \text{RM}3\,200$$

$$\text{Monthly instalment} = \frac{3\,200 + (3\,200 \times 0.02 \times 1)}{12} = \text{RM}272$$

Answer: B

Structured Questions

$$1 \text{ (a) Monthly instalment} = \frac{4\,000 + (4\,000 \times 0.03 \times 1)}{12} = \frac{4\,120}{12} = \text{RM}343$$

- (b) (i) Beng Heng's goal is to buy a set of sofas by paying a monthly instalment of RM343 within 1 year.
 (ii) Beng Heng has to pay RM343 a month so that within one year, he can settle his debts.
 (iii) Beng Heng must be careful to reduce the purchase of less important items so that he can afford to pay RM343 per month within the 1-year period.
 (iv) Beng Heng must be disciplined and thrifty in order that he can pay an instalment of RM343 per month within the 1-year period.
 (v) Beng Heng should evaluate his financial position month to month whether he is heading for success to clear all his debts within 1 year.

(c) Specific – Buying a new set of sofas.

Measurable – The price of the set of sofas is RM4 000.

Attainable – It is achievable by saving RM343 a month.

Realistic – The monthly instalment is only $\frac{343}{4\,000} \times 100 = 8.6\%$ of Beng Heng's monthly salary.

Hence, it is realistic.

Time-bound – Beng Heng has to settle his debt within 1 year.

(d) Short term

$$2 \text{ (a) (i) } h = 20 \times 30 = 600$$

$$\text{(ii) } k = 800$$

$$\text{(iii) } m = 510$$

$$\text{(iv) } n = k - m = 800 - 510 = 290$$

(b) Positive cash flow

(c) Specific – To purchase a set of exercise equipment

Measurable – The exercise equipment costs RM2 000

Attainable – Rosman with a positive cash flow of RM290 a month (or $\text{RM}290 \times 12 = \text{RM}3\,480$ a year) can afford to purchase a set of exercise equipment which costs RM2 000

Realistic – With a positive cash flow of RM3 480 a year and only need to pay RM2 000 is realistic

Time-bound – Purchase a set of exercise equipment in 1 year time

Hence, the financial management of Rosman is effective to achieve the required goal.

$$3 \text{ (a) } h = 6\,000, k = 4\,450, m = 1\,550$$

$$\text{(b) (i) No. He has to save } \frac{19\,500}{12} = \text{RM}1\,625.00, \text{ which is less by RM}75 \text{ (RM}1\,625 - \text{RM}1\,550) \text{ monthly.}$$

(ii) – Reduce variable expenses such as entertainment and utility bills.

– Increase passive income such as writing and publishing books.

(iii) – The rate of inflation has to be less than the salary increase.

– Encik Loke has to be healthy and continue working.

– No unfortunate events which involve high costs happen.

SPM SPOT

1 Fixed expenses = RM(1 100 + 600 + 950) = RM2 650

Answer: B

2 (a) Cash surplus of RM3 250

(b) (i) Each month, Encik Michael has to save another $\frac{25\,000}{9} = \text{RM2 } 778$. Since Encik Michael's monthly cash surplus is more than the extra monthly saving required, his financial plan will enable him to tour Japan and South Korea in 9 months time.

(ii) – Inflation will not cause the tour expenses to Japan and South Korea to be higher than RM25 000.

– There are no unexpected unfortunate events which need a big sum of money happen.

(c)

Specific	To tour Japan and South Korea
Measurable	The cost is RM25 000
Attainable	Can be achieved by saving $\frac{25\,000}{9} = \text{RM2 } 778$ each month
Realistic	It is realistic because his monthly cash surplus is more than RM2 778 [RM3 250 – RM2 778 = RM472]
Time-bound	To tour Japan and South Korea in 9 months time