**Chapter 9: Buying a Car**

**New Car vs. Used Car**

A **new car** has many costs in addition to the price given on the sticker, or the **base price.** Which is the price before charges, fees, and taxes. These additional costs are varying combinations of:

* Delivery, freight, pre-delivery inspection, pre-delivery expense, dealer preparation, and administration fees.
* There is a fuel consumption tax, and if the car has air conditioning there is a federal air conditioning tax.
* PST and GST are paid on the total cost.

**Example 1:** Juliana is thinking about buying a new subcompact car. Its total purchase price includes:

* $17 999 base price
* $750 delivery charge
* $100 federal air conditioning tax
* $75 fuel consumption tax
* 8% PST on price
* 7% GST on price
* $20 licence plate fee
* $25 fuel

There is a warranty for 3 years or 60 000 km.

1. **What would the total price of the new car be?**

17 999 + 750 + 100 + 75 = 18 924

PST = 18924 X 0.08 = 1513.92

GST = 18924 x 0.07 = 1324.68

18 924 + 1513.92 + 1324.68 = 21 762.60

Total Price = 21 762.60 + Licence fee + fuel

21 762.60 + 20 + 25 = **21 807.60**

1. **How much more is the total purchase price than the base price?**

21 807.60 – 17 999 = **3808.60**

A new car **depreciates**, or loses value very quickly. The amount of depreciation depends on the model of car and how many kilometers it is driven.

**Example 2:** Assume Julianna’s car depreciates by 40% in two years. How much will the car be worth in 2 years?

**Solution:** Depreciation is calculated on the base price. The car will be worth 40% less than the base price, or 60% of the base price.

Value after 2 years: 60% of the base price

= 0.06 x 17 999 = 10 799. 40

Complete questions 1 – 3 on page 187. Hand in **question 2**.

**10.3: Buying Vs. Leasing:**

An alternative to buying a new car is **leasing.**

Example: Sung would like to either buy or lease a new car with a total purchase price of 26 600. Sung can lease, or rent, the car for:

* $3000 down payment
* $300 refundable security deposit
* 48 monthly payments of $324.24
* PST and GST on each monthly payment

The monthly payments would be more manageable than loan payments. When the lease is up Sung can buy the car for $12 000 plus PST and GST.

1. How much will he pay to use the car for 4 years?
2. If he buys the car when the lease is up how much will he pay?

**Solution:**

a) Lease payment including tax: 15 % x monthly payment

0.15 x 324.24 = 48.64

= 324.24 + 48.64 = 372.88

**Cost of lease:** Down payment + 48 x lease payment including taxes

= 3000 + (48 x 317.88)

= 3000 + 17 898.24 = 20 898.24

Assuming he will get his deposit back, he will pay 20 898.24 to use the car for 4 years.

b) Price after lease is up: 15% of 12 000

0.15 x 12000 = 1800

= 12 000 + 1800

= 13 800

Total cost = cost of lease + price after lease is up

= 20 898.24 + 13 800 = 34 698.24

If he buys the car after the lease is up he will pay 34 698.24.

Complete questions 3 – 5, Hand in **question 4**.