

Loans & Lines?

- To explore the features of a credit line, use the spreadsheet file: **U5A4 Template 2**, which looks something like this:

	A	B	C	D	E
1	Interest Rate (as a decimal)				
2					
3		Purchases	Payments	Total	Daily
4	Day	Made	Made	Principal	Interest
5	1	(Students enter data in these cells as needed)		=B5-C5	=D5*\$C\$1/365
6	2			=D5+B6-C6	=D6*\$C\$1/365
:	Etc.				
35	Totals	=sum(B5:B34)	=sum(C5:C34)		=sum(E5:E34)

- The credit line spreadsheet is longer for a long time period due to the fact that the interest is calculated on the daily balance.
- You have the option of entering any purchases or payments into the table, and the updated interest and principal calculations are done automatically.
- At the end of the month, you should calculate the payment required which may be a 3 % minimum, or just the interest from the previous month, both of which are common requirements at many financial institutions.

Experiment with a credit line of \$3000 at 9.75%/a. Only the interest is required at the end of the month.

State some advantages and disadvantages of a credit line versus a loan.

[illegible]