**Question 6** (25 marks)

(a) Donagh is arranging a loan and is examining two different repayment options.

(i) Bank A will charge him a monthly interest rate of 0·35%. Find, correct to three significant figures, the annual percentage rate (APR) that is equivalent to a monthly interest rate of 0·35%.

(ii) Bank B will charge him a rate that is equivalent to an APR of 4·5%. Find, correct to three significant figures, the monthly interest rate that is equivalent to an APR of 4·5%.

(b) Donagh borrowed €80 000 at a monthly interest rate of 0·35%, fixed for the term of the loan, from Bank A. The loan is to be repaid in equal monthly repayments over ten years. The first repayment is due one month after the loan is issued. Calculate, correct to the nearest euro, the amount of each monthly repayment.
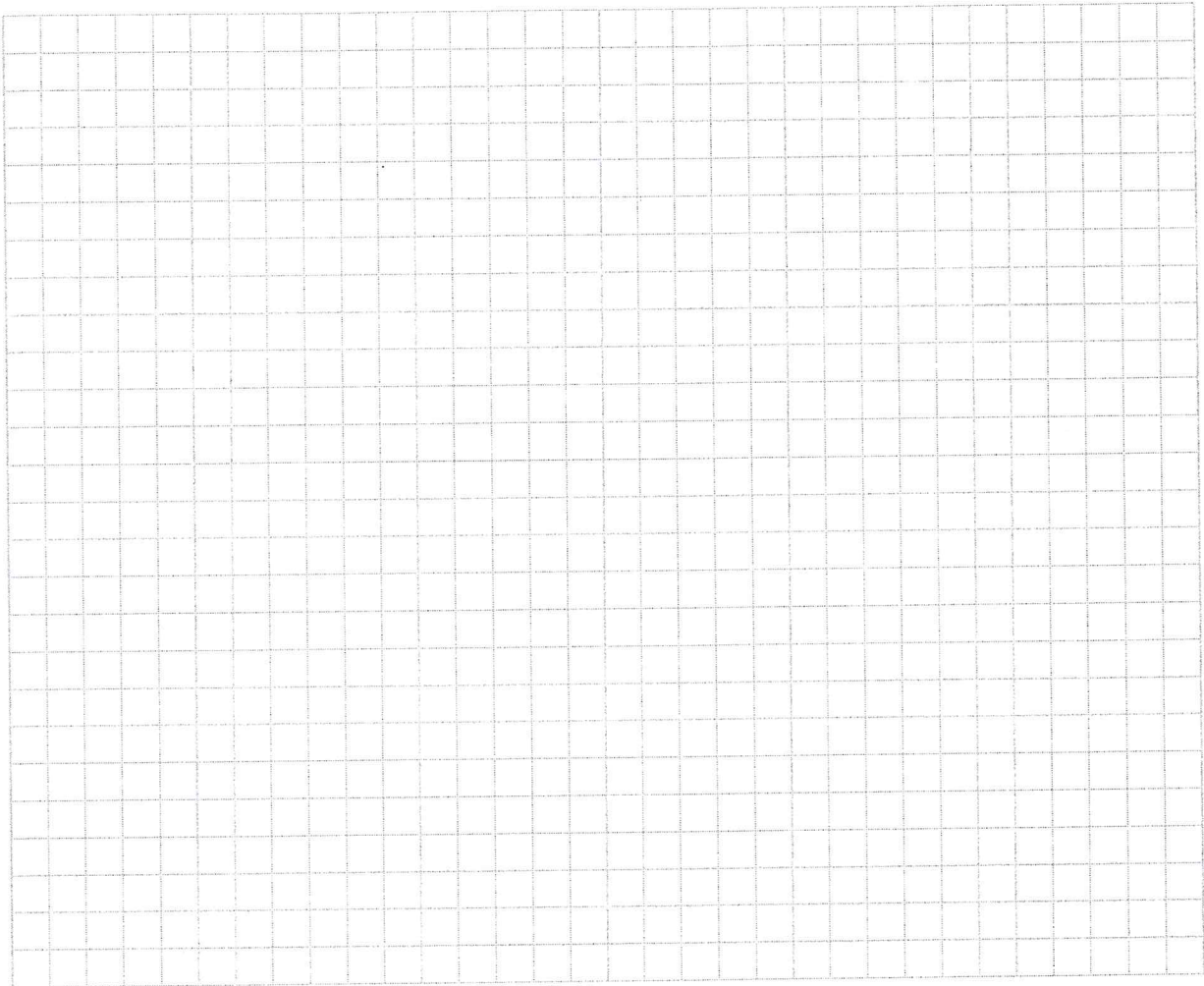
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