Loans and Investments Quiz /19

1. Calculate the final amount on a $2000 investment for 3 years at 7% annual interest using:

*3 marks*

* 1. Simple interest
	2. Interest compounded annually
	3. Interest compounded monthly
1. You want to invest $500 for 2 years. Which gives a better return, 4.2% compounded monthly or 4% compounded daily? *2 marks*
2. You borrow $12 000 for 3 years at 5% on a discount loan. *3 marks*
	1. What amount of interest is charged?
	2. What amount of money do you receive?
	3. What is the effective interest charged?
3. You invest $800 for 5 years with $i^{(1)}=7.25\%$. What equivalent simple interest did you earn?

*2 marks*

1. You purchase a new stereo system. You can pay $1600 now or $500 now and $1342 in 1 year. What interest is being charged? *2 marks*
2. Calculate the monthly payment on a $12 000 6-year loan with $i^{(12)}=5.4\%$. *2 marks*
3. Calculate the total interest charged on a $2000 3-year loan with $i^{(4)}=8\%$ if you make quarterly payments. *3 marks*
4. Some parents decide to setup an annuity for their newborn child’s post secondary education. They figure the child will need $20 000 per year for 4 years starting at age 19. The parents decide to make 18 annual deposits starting on the child’s first birthday. What should the annual payment be if $i^{(1)}=10\%$?  *2 marks*