EEFM_6TH Semester_Quiz 1 (Copy)

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You borrowed $20,000 from a bank at an interest rate of 12% compounded monthly. This loan will be repaid in 60 equal monthly installments over 5 years immediately after your 30th payment. If you want to pay the remainder of the loan in a single payment the amount is close to *
(0.5 Points)

- 11,431
- 11,408
- 11,481.59
- 11,141

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If $500 is deposited in a savings account at the beginning of each quarter for 10 years and account earns 8% interest compounded quarterly what will be the balance in the account at the end of 10 years? *
(0.5 Points)

- 28,933
- 30,201
- 30,421
- 30,805

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How many years would it take an investment to double at 8% annual interest? *
(0.5 Points)

- About 5 years
- About 7 years
- About 9 years
- About 12 years

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Which of the following statement is true? *
(0.5 Points)

- Frequency of compounding, has no effect on rate of interest.

An annuity is a series of cash flows of variable amount.

The nominal rate of interest is always equal to the effective rate of interest.

Cash flows occurring in different time periods cannot be compared unless they are discounted to a common timeline

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You will deposit $2000 per year for the next 10 years, then you will start drawing money out of the account which earns 8% annual interest. How much could you draw out if you make equal annual withdrawals for 5 years? Note: first withdrawal will be made at the end of 11th year *
(0.5 Points)

5795

7257

4320

6988

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The cash flows listed below are in order for Year 1, Year 2, and Year 3 respectively. Which of the following cash-inflow streams totaling $1,500 would you prefer? Assume that the interest rate is greater than zero. *
(0.5 Points)

$700 $500 $300

$300 $500 $700

$500 $500 $500

Any of the above, since they each sum to $1,500

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Which of the following statement is true? *
(0.5 Points)

The present worth of a uniform series coincides with the first cash flow

The future worth of a uniform series coincides with the last cash flow

The present worth of a uniform series occurs only at zero.

The future worth of uniform cash flow occurs one-time period later than the last cash flow

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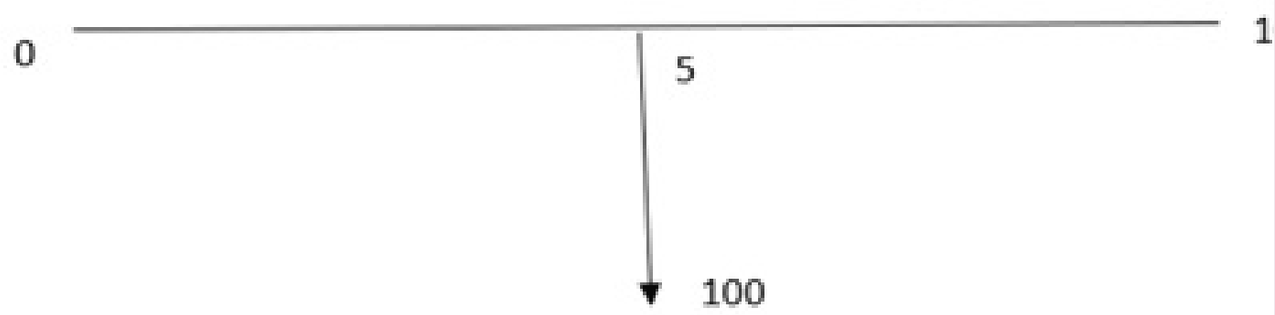
The formula to calculate equivalent annuity for the cash flow diagram shown below is: (Assume an interest rate of 12 % p.a) *
(0.5 Points)



- 100(A/P, 12%, 10)
- 100(A/F, 12%, 10)
- 100(A/P, 12%, 5) + 100(A/F, 12%, 5)
- 100(F/P, 12%, 5)(A/F, 12%, 10)

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A series of uniform deposits 'X' are to be made starting from 3rd year till 10th year. The equivalent worth of the deposits now, when interest rate is 10%, can be found using *
(0.5 Points)

- X (P/A, 10%, 8) (F/P, 10%, 2)
- X (A/P, 10%, 8) (P/F, 10%, 2)
- X (P/A, 10%, 8) (P/F, 10%, 2)
- X (P/A, 10%, 2) (P/F, 10%, 8)

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You have a few installments pending due to a loan that you borrowed from a bank. Your Aunt has offered to give you money now, which would pay off all future installments. Assuming the bank allows closure of the loan in advance, which of the following factors is useful in calculating the amount that you need to borrow from your Aunt today, in order to pay off the remaining annual installments that you owe to the bank? *
(0.5 Points)

- Sinking fund factor
- Capital recovery factor
- Equal payment series present worth factor
- Equal payment series compound amount factor