

Name_____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

Provide an appropriate response.

- 1) _____ is interest paid only on the original principal, and not on any interest added at later dates. 1) _____
A) Basic interest B) Simple interest
C) Compound Interest D) None of the above
- 2) _____ is interest paid both on the original principal and on all interest that has been added to the original principal. 2) _____
A) Basic interest B) Simple interest
C) Compound interest D) None of the above

SHORT ANSWER. Solve the given problem or write a short answer explaining the answer..

Calculate the amount of interest you'll have at the end of the indicated period.

- 3) You invest \$200 in an account that pays simple interest of 4% for 6 years. 3) _____

Solve the problem. Assume that simple interest is being calculated in each case. Round your answer to the nearest cent.

- 4) Linda Young opened a lawn service company. To pay for startup costs, Linda Young borrowed \$77,000 from a bank at 12% for 1 year. Find the interest. 4) _____

Use the compound interest formula to determine the accumulated balance after the stated period. Assume that interest is compounded annually.

- 5) \$2000 is invested at an APR of 5% for 4 years. 5) _____

Use the compound interest formula for compounding more than once a year to determine the accumulated balance after the stated period.

- 6) \$13,000 deposit at an APR of 7% with semiannual compounding for 8 years 6) _____

- 7) \$1300 deposit at an APR of 6% with quarterly compounding for 5 years 7) _____

- 8) \$5000 deposit at an APR of 5% with daily compounding for 9 years 8) _____

Find the annual percentage yield (APY).

- 9) A bank offers an APR of 8% compounded semiannually. 9) _____

Use an annual percentage rate table to solve the problem.

- 10) A student has a total of \$3000 in student loans that will be paid with a 48-month installment loan with monthly payments of \$73.94. Determine the APR of the loan to the nearest one-half of a percent. 10) _____

- 11) In order to purchase a residential homesite, a man borrows \$35,000 from his father. The son pays his father back by making 60 monthly payments of \$693.06. Determine the APR of the loan to the nearest one-half of a percent. 11) _____

Solve the problem.

Monthly Payment per \$1000 of Mortgage

Interest rate	Monthly payment			
	15-year loan	20-year loan	25-year loan	30-year loan
9.5%	\$10.45	\$9.33	\$8.73	\$8.41
10.0%	\$10.75	\$9.66	\$9.09	\$8.78
10.5%	\$11.06	\$9.99	\$9.45	\$9.15
11.0%	\$11.37	\$10.33	\$9.81	\$9.53
11.5%	\$11.69	\$10.66	\$10.16	\$9.90
12.0%	\$12.01	\$11.01	\$10.53	\$10.29
12.5%	\$12.33	\$11.36	\$10.90	\$10.67
13.0%	\$12.66	\$11.72	\$11.28	\$11.06

12) What is the monthly payment on a 25-year loan of \$73,000 if the annual interest rate is 10%? 12) _____

13) Justin Lowery is buying a condominium that sells for \$120,000. The bank is requiring a minimum down payment of 15%. To obtain a 20-year mortgage at 7.5% interest, Justin must pay 3 point(s) at the time of closing. What is the cost of the 3 point(s) on the mortgage? 13) _____

Solve the problem.

14) Under what circumstances is the Average Daily Balance method a more favorable method to the borrower than the Unpaid Balance method? Explain. 14) _____

15) Jesse invests \$1000 for 2 years in an investment that bears 8% interest compounded annually. On the same day that Jesse invests his money, Shirley invests \$1000 in a simple interest account with an interest rate of 8%. On the date of maturity, Shirley re-invests her money, including the interest, for a second year. Without using calculations, explain which person, if either, has made the more profitable investment. 15) _____

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

Use the Table Consumer Price Index below to answer the question. The reference value for this CPI is an average of prices during the period 1982-1984.

YEAR	CPI	YEAR	CPI
1986	109.6	1994	148.2
1987	113.6	1995	152.4
1988	118.3	1996	156.9
1989	124.0	1997	160.5
1990	130.7	1998	163.0
1991	136.2	1999	166.6
1992	140.3	2000	172.2
1993	144.5	2001	177.1

16) Find the inflation rate from 1987 to 1988. 16) _____
 A) 4.5% B) 1.0% C) 4.1% D) 4.0%

17) Suppose you needed \$34,000 to maintain a particular standard of living in 1986. How much would you have needed in 1990 to maintain the same standard of living? 17) _____
 A) \$29,000 B) \$43,000 C) \$38,000 D) \$41,000

You buy 100 shares of X Company on 28-Feb-2017, paying \$28.50 per share. On 28-Feb-2018 you, receive a dividend of \$0.60 per share and the stock price has risen to \$29.75 per share. Find the following:

18) What is your total cost for the stock.

19) The total dividend amount.

20) Your capital gain, if you sold the stock on 28-Feb-2018.

21) Your total return and percent return for one year of stock ownership.

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

NYSE CONTINUED										
52 Week		Stock	Div	PE	100's	Sales		Last	Chg.	
High	Low					High	Low			
B										
32 1/4	26 1/4	BEC	2.66	12	3742	38 1/4	21 1/2	38	+ 1 1/2	
26 1/2	21 3/4	BfLI	3.01	18	2003	29 1/4	16 3/4	25	- 1/4	
47 3/4	39 1/2	BLN	1.39	16	5866	48 1/2	42 1/2	44	+ 1 1/4	
26 1/4	20 1/2	BNT	0.62	21	1068	28 1/4	19 1/2	28	- 1/2	
31 1/2	25 3/4	BRL	5.67	28	7895	33 1/4	18 3/4	32	+ 1/4	
37 3/4	29 1/2	BST	2.49	19	3723	35 1/2	32 1/2	33	+ 1 3/4	

22)

22) _____

Using the sample table above, what are the the dividends per share for BLN corp.

- A) 1.39 B) 0.62 C) 5.67 D) 3.01

23) Using the sample table above, how many shares of BEC were traded that day.

23) _____

- A) 374 200 B) 3 742 C) 3 742 000 D) not available

24) Using the sample table above, which stock had the greatest change in share price from the opening of the market?

24) _____

- A) BEC B) BRL C) BST D) BLN

25) Using the sample table above, which stock had the lowest price to earnings ratio (divide the price by the earnings per share over the last 12 months).

25) _____

- A) BLN B) BEC C) BST D) BRL

Answer Key

Testname: 20182_CHAPTER7TEST

- 1) B
- 2) C
- 3) \$48.00
- 4) \$9240.00
- 5) \$2431.01
- 6) \$22,541.82
- 7) \$1750.91
- 8) \$7841.56
- 9) 8.16%
- 10) 8.5%
- 11) 7.0%
- 12) \$663.57
- 13) \$3060.00
- 14) The average daily balance method is more favorable to the borrower than the Unpaid Balance method when the borrower's partial payments exceed the new charges during the current billing cycle. This negative balance will serve to reduce the finance charges in the average daily balance method but will not change the finance charges at all in the unpaid balance method.
- 15) The investments are identical. Compound interest accounts are just simple interest investments that are automatically re-invested at the end of a pre-determined term.
- 16) C
- 17) D
- 18)
- 19)
- 20)
- 21)
- 22) A
- 23) A
- 24) C
- 25) B