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# CHAPTER 1

## SECTION 1.1

- 1.1.1 Balances are  $10,000(1.04) = 10,400$  after one year,  
 $10,000(1.04)^2 = 10,816$  after 2 years, and  
 $10,000(1.04)^3 = 11,248.64$  after 3 years.  
Interest amounts are 400 at the end of the 1<sup>st</sup> year, 416 at the end  
of the 2<sup>nd</sup> year, and 432.64 at the end of the 3<sup>rd</sup> year.
- 1.1.2 (a)  $2500[1 + (.04)(10)] = 3500$   
(b)  $2500(1.04)^{10} = 3700.61$   
(c)  $2500(1.02)^{20} = 3714.87$   
(d)  $2500(1.01)^{40} = 3722.16$
- 1.1.3 Balance after 12 months is  $10,000(1.01)^3(1.0075)^9 = 11,019.70$ .  
Average monthly interest rate is  $j$ , where  
 $10,000(1+j)^{12} = 11,019.70$ .  
Solving for  $j$  results in .0081244.