

For full credit you must show your work. Partial credit may be given for incorrect solutions if sufficient work is shown.

1. Suppose you borrow \$9,000 for a term of three years with simple interest and 3.75% APR. How much is the total (principal plus interest) you must pay back on the loan? (4 pt)

2. Between 1970 and 1979 the average annual inflation rate was 7.25%. Find the salary in 1970 that would be equivalent to a \$18,000 salary in 1979. (3 pt)

3. Consider a CD paying a 2.4% APR compounded quarterly (four times a year). Find the periodic interest rate and then use it to calculate the future value of the CD assuming you invest \$5,000 for three years. (3 pt)