

Time : 40 minutes

Question 1

If the interest rate is 10% :

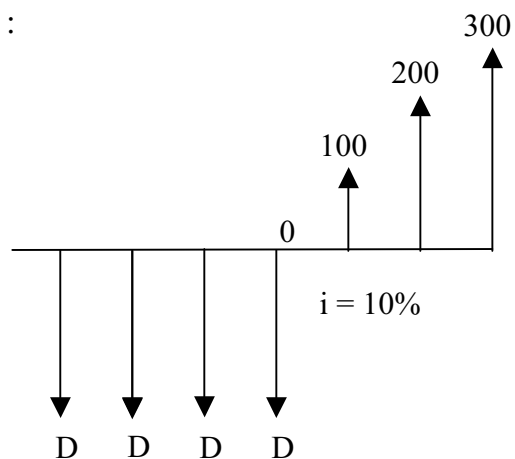
(a) What is the effective interest rate per six months period if compounding is quarterly ?

(b) What is the nominal rate if the compounding is continuous ?

(c) What is the effective interest rate per quarter if compounding is continuous ?

Question 2

Compute the value of D in the diagram below :



Question 3

One of the largest automobile dealers in the city advertises an old car for sale as follows :

Cash price \$3575, or a down payment of \$375 with 45 monthly payments of \$93.41

Susan bought the car and made a down payment of \$800. The dealer charged her the same interest rate used in his advertised offer. How much will Susan pay each month for 45 months ?

Question 4

Consider the following cash flow :

Year	Cash flow
0	- \$100
1	+50
2	+60
3	+70
4	+80
5	+140

Which one of following is correct for this cash flow ? (Circle one)

- (a) $100 = 50 + 10 (A / G , i \% , 5) + 50 (P / F , i \% , 5)$
- (b) $100 = 50 (P / A , i \% , 5) + 10 (P / G , i \% , 5) + 50 (P / F , i \% , 5)$
- (c) $100 (A / P , i \% , 5) = 50 + 10 (A / G , i \% , 5)$
- (d) None of the above equations is correct.