

$$i_{\text{eff}} = \left(1 + \frac{0.06}{4}\right)^4 - 1 = \underline{\underline{0.015015}}$$

$$P = 95000$$

$$r = 12\%$$

$$n = 10$$

$$P = 95000$$

$$r = 3\%$$

$$n = 10$$

$$i = ?$$

$$i_{\text{eff}}$$

$$P = 92000$$

$$V = 100000$$

$$r = 12\%$$

$$n = 10$$

- (10) B 3. One hundred \$1,000 bonds having a bond rate of 12% per year payable quarterly are purchased for \$95,000, kept for 10 years, and sold for \$92,000. Determine the "effective" annual yield rate on the bond investment.

- A. 13.74%
B. 14.35%
C. 16.90%
D. 18.25%

$$92000 = 95000 + 12000(0.03)(PIA, i, 10) + 92000(PVF, i, 10)$$

- (10) C 4. A \$200,000 bond having a bond rate of 10% payable annually is purchased for \$190,500 and kept for 5 years, at which time it is sold. How much should it sell for in order to yield a 8% effective annual return on the investment?

- A. \$177,425
B. \$174,750
C. \$171,250
D. \$162,575

$$P = 200,000$$

$$r = 10\%$$

- (10) B 5. Upon graduation you decide to purchase a new car for \$32,000 at a 6% per year compounded monthly rate for 5 years. You plan on paying the loan back with 60 equal monthly payments. How much are the monthly payments?

- A. \$434
B. \$620
C. \$1,005
D. \$1,790

- (10) C 6. Using the information from Question #5, what is the remaining balance after the 30th payment?

- A. \$17,200
B. \$22,900
C. \$28,600
D. \$31,680