

- 1) Today, you deposit \$2,500 in a bank account that pays 3.6 percent simple interest. How much interest will you earn over the next 5 years? 1) _____
 A) \$492.27 B) \$90.00 C) \$483.59 D) \$450.00 E) \$120.00

- 2) What is the future value of \$5,700 invested for 18 years at 9 percent compounded annually? 2) _____
 A) \$26,397.74 B) \$27,513.06 C) \$26,887.59 D) \$27,520.22

- 3) Angela has just received an insurance settlement of \$22,500. She wants to save this money until her daughter goes to college. If she can earn an average of 4.7 percent, compounded annually, how much will she have saved when her daughter enters college 6 years from now? 3) _____
 A) \$29,875.06 B) \$30,929.02 C) \$30,106.14 D) \$29,638.94

- 4) Your parents spent \$7,800 to buy 200 shares of stock in a new company 12 years ago. The stock has appreciated 14.6 percent per year on average. What is the current value of those 200 shares? 4) _____
 A) \$40,023.03 B) \$37,449.92 C) \$40,515.08 D) \$36,408.70

- 5) You just won \$30,000 and deposited your winnings into an account that pays 3.9 percent interest, compounded annually. How long will you have to wait until your winnings are worth \$75,000? 5) _____
 A) 21.24 years B) 23.95 years C) 25.00 years D) 22.29 years

- 6) Assume the total cost of a college education will be \$325,000 when your child enters college in 16 years. You presently have \$40,000 to invest and do not plan to invest anything further. What annual rate of interest must you earn on your investment to cover the entire cost of your child's college education? 6) _____
 A) 11.08 percent B) 12.65 percent C) 13.99 percent D) 10.40 percent

- 7) You expect to receive \$5,000 at graduation one year from now. Your plan is to invest this money at 6.5 percent, compounded annually, until you have \$50,000. At that time, you plan to travel around the world. How long from now will it be until you can begin your travels? 7) _____
 A) 32.08 years B) 37.57 years C) 36.57 years D) 31.08 years

- 8) At 10 percent interest, how long does it take to triple your money? 8) _____
 A) 10.36 years B) 10.56 years C) 9.67 years D) 11.53 years

- 9) Suenette plans to save \$600 at the end of Year 1, \$800 at the end of Year 2, and \$1,000 at the end of Year 3. If she earns 3.4 percent on her savings, how much money will she have saved at the end of Year 3? 9) _____
 A) \$2,200.00 B) \$2,309.16 C) \$2,402.19 D) \$2,468.69
- 10) Capstone Investments is considering a project that will produce cash inflows of \$11,000 at the end of Year 1, \$24,000 in Year 2, and \$36,000 in Year 3. What is the present value of these cash inflows at a discount rate of 12 percent? 10) _____
 A) \$54,578.17 B) \$41,997.60 C) \$63,494.54 D) \$46,564.28
- 11) You want to purchase a new condominium that costs \$287,500. Your plan is to pay 25 percent down in cash and finance the balance over 15 years at an annual rate of 3.75 percent. What will be your monthly mortgage payment including principal and interest? 11) _____
 A) \$1,708.16 B) \$1,568.07 C) \$1,221.43 D) \$1,333.33
- 12) S&S Furniture is offering a bedroom suite for \$3,200. The credit terms are 60 months at \$55 per month. What is the interest rate on this offer? 12) _____
 A) 1.30 percent B) 1.22 percent C) 1.15 percent D) 1.65 percent
- 13) Overnight Trucking recently purchased a new truck costing \$219,800. The firm financed this purchase at 6.6 percent interest with monthly payments of \$2,435. How many years will it take the firm to pay off this debt? 13) _____
 A) 10.23 years B) 10.42 years C) 11.04 years D) 9.22 years
- 14) What is the effective annual rate of 9.6 percent compounded semiannually? 14) _____
 A) 9.92 percent B) 9.71 percent C) 9.68 percent D) 9.83 percent
- 15) You have an outstanding loan with an EAR of 14.61 percent. What is the APR if interest is compounded monthly? 15) _____
 A) 13.71 percent B) 15.41 percent C) 14.60 percent D) 15.62 percent
- 16) The \$1,000 face value bonds of Galaxies International have coupon of 6.45 percent and pay interest semiannually. Currently, the bonds are quoted at 103.4 and mature in 4 years. What is the yield to maturity? 16) _____
 A) 4.88 percent B) 5.49 percent C) 6.79 percent D) 7.18 percent
- 17) Arts and Crafts Warehouse wants to issue 15-year, zero-coupon bonds that yield 7.5 percent. What price should it charge for these bonds if the face value is \$1,000? Assume semiannual compounding. 17) _____
 A) \$362.14 B) \$308.15 C) \$356.08 D) \$369.94 E) \$331.40

Answer Key

Testname: PRACTICE2

- 1) D
- 2) C
- 3) D
- 4) A
- 5) B
- 6) C
- 7) B
- 8) D
- 9) D
- 10) A
- 11) B
- 12) B
- 13) B
- 14) D
- 15) A
- 16) B
- 17) E