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BASIC

(Questions 1–14)

1. **Simple Interest versus Compound Interest [LO1]** First City Bank pays 8 percent simple interest on its savings account balances, whereas Second City Bank pays 8 percent interest compounded annually. If you made a deposit of \$9,000 in each bank, how much more money would you earn from your Second City Bank account at the end of seven years?
2. **Calculating Future Values [LO1]** For each of the following, compute the future value:

Present Value	Years	Interest Rate	Future Value
\$ 1,975	11	13%	
6,734	7	9	
81,346	14	12	
192,050	8	6	

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3. **Calculating Present Values [LO2]** For each of the following, compute the present value:

Present Value	Years	Interest Rate	Future Value
	13	9%	\$ 15,451
	4	7	51,557
	29	24	886,073
	40	35	550,164

4. **Calculating Interest Rates [LO3]** Solve for the unknown interest rate in each of the following:

Present Value	Years	Interest Rate	Future Value
\$ 181	4		\$ 297
335	18		1,080
48,000	19		185,382
40,353	25		531,618

5. **Calculating the Number of Periods [LO4]** Solve for the unknown number of years in each of the following:

Present Value	Years	Interest Rate	Future Value
\$ 500		6%	\$ 1,389
810		9	1,821
18,400		11	269,715
21,500		13	430,258



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