

Finance assignment

Law



Johnny puts his \$100 in the piggy bank that his parents gave him to encourage him to save. Darrel puts his money in a savings account his parents set up for him. The savings account pays 3% interest. They both take their money out after 5 years. How much more money does Darrel have than Q.) Don has just received a cash gift of \$50,000 from his rich eccentric uncle. He wants to set it aside to pay for his daughter Cynthia college education. Cynthia will begin college in 10 years and Don's financial advisor says that she can earn 7% interest on an investment in a special college fund.

How much will Don have in the fund when Cynthia begins college? Q.) Cindy and Jennifer are twin sisters. They both have a \$10,000 investment earning 7%. Cindy withdraws \$2,000 of her money now and goes on a shopping spree. Jennifer keeps all her money invested. After 15 years, when each are looking for money to put a down payment on a house, how much more does Jennifer have? Q.) The Johnson family is worried about their ability to pay college tuition for their daughter Chloe. Tuition rates are currently \$9,500 per year at the state college and have been increasing at a rate of 7% annually.

Chloe will begin college in 7 years. The Johnny's have \$9,500 set aside now in a college plan that will earn 6% per year. They recently heard about a plan to pre-pay tuition at current rates, that is pay \$9,500 per year of college. Should they pre-pay School's first year now or keep the money invested and pay the tuition 7 years from now? How much are they saving in IF terms with this decision? Pre-pay; 781 Don't Pre-pay; 970 pre-pay: 970 Don't prepay;

781 Don't pre-pay; 685 pre-pay; 685 Q.)Juan has \$100, 000 to Invest and he has narrowed down his decision to two Investments.

Option A returns 60% annually for 4 years, but the maximum investment he can make is \$10, 000. Option B returns 12% annually for 4 years and would require the entire \$100, 000. Which option produces the best result for Juan and what is the benefit over the lesser option? Assume that the \$90, 000 not invested in Option A would be placed in a safe deposit box earning no interest. Option A; 1816 option a; 9532 option A; 9532 option a; 1816 option S; 19373 Q) Rondo is in the market for a new car. He has narrowed his search down to 2 models. Model A costs \$32, 000 and Model B costs \$28, 000.

With both cars he plans to pay cash and own them for 4 years before trading in for a new car. His research indicates that the trade in value for Model A after 4 years is 60% of the initial purchase price, while the trade in value for Model B is 45%. The interest rate is 5%. For simplicity assume that operating and maintenance costs for the models are identical. Which model is the better decision and how much “cheaper” is it than the alternative? Model A; 4000 Model A; 1430 Model A; 1257 Model a; 1430 Model a; 4000 Model a; 1207 10.) College tuition has been rising at a rate of 7% per year.

Currently the average tuition of a state college is \$9, 500/year. Andresen's son Tremor will begin college in 12 years. Andresen's portfolio is making 5% annually. How much does Andrea need to have set aside today/now to pay for 4 years of college for Tremor? (Note: Tuition will continue to change annually and Andresen's portfolio balance will continue to accrue interest

while Tremor is in school. Also, tuition is due at the beginning of each year.)
49035 75400 87432 58905 Assignment 2 Question 1 (5 points) Carols goes to the bank to take out a personal loan.

The stated annual interest rate is 12%, but interest is compounded monthly and he will make monthly payments. The effective annual interest rate (EAR) of the loan is less than 12%. True False Question 2 (5 points) Gloria is 35 and trying to plan for retirement. She has put a budget together and plans to save \$4, 800 per year, starting at the end of this year, in a retirement fund until she is 65. Assume that she can make 7% on her account. How much will she have for retirement at age 65? 499245 144000 453412 345514 Question 3 (5 points) Dominique has Just turned 65 and she has deposited her annual payment f \$20, 000 into her retirement account.

She made her first such saving deposit into how much money she has in her retirement account for her retired life. You are Dominique friend who knows finance. How much is Dominique savings worth today given that the fund has earned an annual return of 5. 5%? (Enter Just the number without the \$ sign or a comma; round off decimals.) Answer for Question 3 Question 4 (5 points) Marcel has Just graduated from college and has found a Job that will pay him \$25, 000 per year at the end of each year, but the Job is only for 5 years. He is not ordered about that because he plans to do an MBA after gaining 5 years experience anyway.

She took a fixed rate 60-month installment loan at a stated rate of 8% per year. Interest rates have fallen during the last two years and she can rate of 6% per year for 3 years. Should Bilabial refinance her loan? How much will

she save per month for the next three years if she decides to refinance?

(yes, 7) (no, 2) (yes, 2) (no, 7) (yes, 5) (no, 5) Question 9 (1 5 points)

Two years ago, you purchased a \$20, 000 car, putting \$4, 000 down and borrowing the rest. Your loan was a 48-month fixed rate loan at a stated rate of 6% per year. You paid a non-refundable application fee of \$100 at that time in cash.

Interest rates have fallen during the last two years and a new bank now offers to refinance your car by lending you the balance due at a stated rate of 4% per year. You will use the proceeds of this loan to pay off the old loan. Suppose the new loan requires a \$200 non-refundable application fee. Given all this information, should you refinance? How much do you gain/lose if you do? (yes gain 19) (no, lose 29) (no, lose 5) (yes, again 5) (yes, gain 17) (no, lose 25) Question 10 (1 5 points) You have just started your first job and you want to have the basic appliances (fridge, washer, dryer, etc.) in your apartment.

You face the following choices: (i) Purchase all appliances at the store using a bank loan. There is no down payment as the bank can take your appliances if you default on the loan. The loan is at the annual market rate of 5%, and the loan amount is \$6, 000 to be repaid monthly over 4 years. (ii) Rent-to-buy from the same store. The monthly rental is \$125 for 48 months and then you pay \$1, 000 to own all the appliances. What is the net cost today of the cheapest option? (Enter just the number without the \$ sign or a comma; round off decimals. Since this asks for a cost, you just enter the number without a negative sign.)