

# Homework # 01

Business



Homework 1. Go to the official website of the following banks: a. Find the interest rates these banks pay on Royal Bank of Canada

(i) Interest paid on Saving deposits= 1.05% per month

(ii) Interest paid on Certificate of deposit (CD) = 1.3000

CIBC

(i) Interest paid on Saving deposits= 2.00% per month

(ii) Interest paid on Certificate of deposit (CD) = 2.55%

Bank of Montreal

(i) Interest paid on Saving deposits= 1.35% per month

(ii) Interest paid on Certificate of deposit (CD) = 1.45%

HSBC Bank Canada

(i) Interest paid on Saving deposits= 1.15% per month

(ii) Interest paid on Certificate of deposit (CD) = 1.45%

Which bank pays the highest interest rate on the deposits they accept? CIBC

b.

Royal Bank of Canada

Variable interest rate= 4.5% 3 years

Fixed interest rate= 3.5%

CIBC

Variable interest rate= 4.00% 6 months

Fixed interest rate= 4.65%

Bank of Montreal

Variable interest rate= 3.000% five year

Fixed interest rate= 3.290%

HSBC Bank Canada

Variable interest rate= 2.65% 5 year

<https://assignbuster.com/homework-01/>

Fixed interest rate= 3.19%

c. Which bank has the highest profit margin?

Royal Bank of Canada, it has the greatest difference between fixed and variable interest rates

2.

Information flow is very vital for any business transaction to take place; it makes sure that buyers are aware of the material facts of the product or service that is being sold by the sellers. It is crucial for any given market transaction because information asymmetry significantly affects markets. In the article, "The Market for Lemons", George A. Akerlof states that "lemons" deal with a problem that is as old as the markets themselves. This problem has repeated itself over and over again. Unlike sometimes back where economic models were tailored to particular situations and specific markets, nowadays economic models are customized to illustrate outstanding features of reality describing special problem under discussion. Even though many economists claimed that major economic problems were solved, unemployment by money wages was hard to solve.

The economists were unable to identify the cause of economic growth. Growth theory led to a new modeling to help address the question. It was able to deal with goods, capital; that varied continuously in quality. In addition, the theory helped in discovering asymmetric information. Growth in education was able to explain growth residual hence accounting for increases in both labour force and capital. However, the asymmetric information needed further exploration before it is documented. With the help of the automobile market, Akerlof was able to discover that information asymmetry played a key role in business cycles. It is a major issue in those

<https://assignbuster.com/homework-01/>

markets that quality of goods is hard to see without casual inspection. With the help of mathematics, he proved that asymmetric information could lead to the collapse of used cars market at the expense of new ones.