

Finance Review Questions

1. Alex bought a \$350 regular interest Canada Savings Bond. A regular interest CSB pays simple interest annually. The interest rate for Alex's bond is 2.5% per year. He plans to keep the bond until it matures in 9 years.
 - a) Determine the interest gained in 9 years.
 - b) Determine the total amount of the investment at the end of 9 years.
2. Brenda has \$3500 in her trust account, which pays 4.05% p.a., compounded monthly. After 1 year, she withdraws \$400. Two years later, she deposits \$1200. How much will she have in the account after 5 years?
3. Will plans to attend college in three years. His grandfather wishes to deposit enough money today in an account paying 5.5% p.a. compounded annually, so that he can make withdrawals of \$6000 at the end of each year for four years. Withdrawals will not start until three years from now to pay for his tuition. How much should his grandfather invest today?
4. Brendan borrows \$760 for 75 days by taking a cash advance on his credit card. The interest rate is 22% per annum (p.a.) simple interest. How much will he need to pay back at the end of the loan period?
5. An investor put \$4000 into an account. The investor checked later and his investment was worth \$5249. If the interest rate was 6.25% p.a., compounded semi-annually, how many years had the money been invested? Note: n needs to be a whole number.
6. Ashley opened an investment savings account. The interest rate is 4.75% p.a., compounded semi-annually. She wants the amount to be \$6000 in 10 years. How much money should she deposit now?
7. Chelsea plans to buy a house in six years' time. To save for the \$20,000 down payment, she decides to make equal quarterly deposits at the end of each quarter in a savings account that pays 4.65% p.a. compounded quarterly. Determine the amount of the regular deposit if Chelsea wishes to be able to make the down payment immediately after her last deposit.
8. What annual interest rate, compounded quarterly, is required for a \$300 investment to amount to \$450 in 5 years? Round answer to the nearest hundredth.
9. Tory borrows \$125 000 to buy a cottage. He agrees to repay the loan by making equal monthly payments at the end of each month over the next 12 years when he wants the balance to be paid off. If Tory is being charged 6.75% p.a. compounded monthly,
 - a) What is the value of his equal monthly payments?
 - b) How much interest does Tory end up paying on his loan?
10. Jenny deposits \$1200 each year for four years into an RRSP. The plan earns 7.15% p.a. compounded annually. If she makes deposits on her 20th, 21st, 22nd and 23rd birthdays, what is the value of her RRSP when she is 65?

Answers:

1a. \$78.75	1b. \$428.75	2. \$5115	3. \$18 895.26	4. \$794.36	5. 4.5 years
6. \$3 752.09	7. \$727.29	8. 8.19%	9a. \$1 268.88	9b. \$57 718.72	10. \$97 094.52

Also do: p. 572 – 576 #1-6, 8, 10-12, 15-17