

8. What will the total amount be should the annuities due is factor in problem #6? (See pages 172, 173 or example 5.9).

9. What will the total amount be should the annuities due is factor in problem #7?

10. You've just received your first credit card and the problem is the rate. It looks pretty high to you. The quoted rate, or APR (annual percentage rate), is 22.8 percent, and when you look closer, you notice that the interest is compounded daily. What's the EAR (effective annual rate), on your credit card? Analyze your result. (See example 5.10).

11. What is a payday loan? Should you use this type of loan? Why or Why not?

12. If we place \$250 in a savings account with an APR of 12.5 percent compounded quarterly, what will our investment grow to at the end of 4 years? Analyze your results. (See example 5.11).

13. Use question #12, what will your result be in is compounding bi-annually?

14. Why does the future value of a given amount increase when interest is compounded non-annually as opposed to annually?

15. What is a perpetuity? What is the present value of a \$1000 perpetuity discounted back to the present at 7 percent? Analyze your results. (See example 5.13).