Supplemental Instruction Handouts

Business Math

Chapter 11:
Ordinary Annuities:
Periodic Payment, Number of Payments,
and Interest Rate

1. Damien wishes to retire in 25 years with $500,000 in his RRSP. How much would he have to invest each quarter at an interest rate of 5.65% compounded monthly?

2. From the previous question, how much interest would Damien earn?

3. If Ron wished to buy a new car for $15,000, how much would he have to pay monthly over the next 7 years if the interest rate was 11.75% compounded semi-annually?

4. Hadley took out a loan of $4,000 and was repaying it at $200 per month for the next 2 years. What interest rate was charged on the loan monthly?

5. From the previous question, what was the effective interest rate?

6. If James was to make payments of $150 per month into an RRSP for the next 25 years and ended up with an accumulated amount of $300,000, what interest rate did James receive if the interest was compounded quarterly?

7. Sarah has been putting $350 monthly into a special savings account that was paying her 6.84% compounded quarterly. For how long has Sarah been doing this if she has accumulated $100,000?

8. Jeff purchased some furniture for $2,500. He is required to make payments of $125 per month. The interest he is being charged is 6.82% compounded quarterly. How many payments, including the smaller final payment, will he have to make?