Business Math
Chapter 7: Simple Interest

1. For 90 to 365 – day GICs, TD Canada Trust offered a rate of 3.10% on investments of $25,000 to $59,999 and a rate of 3.40% on investments of $60,000 to $99,999. How much more will you receive in interest on a single $65,000 investment for 270 days as compared to making two investments of $32,500 for 270 days?

2. Calculate the price of a $20,000, 91 – day Province of Manitoba Treasury bill on its issue date if the current market rate of return is 2.678%?

3. Damien purchased a $50,000 182 – day T – bill discounted to yield 4.4% on the T – bills issue date. When he sold it 30 days later, yields had dropped to 4.1%. How much interest did Damien earn?

4. A $100,000, 90 – day commercial paper certificate issued by Noranda Inc. was sold on its issue date for $99,250. What rate of return will it yield to the buyer?

5. Your bank is willing to offer you a line of credit of $5,000 at prime plus 1%. You will pay your bank any accrued interest on the 28th day of each month. On August 12th you draw $2,000 and make a payment of $500 on September 20th. How much interest would you have to pay on August 28th and September 28th? The interest rate was 2.8% for August and September.

6. A $17,000 demand loan was advanced to you on August 5th. You are required to make monthly payments of $700 on the 28th of each month. Calculate the amount of the $700 payment that would go towards the principle and the interest for the month of September. The interest rate is 3.2% for August and September.