Business Math

Chapter 10:
Ordinary Annuities:
Future Value and Present Value

1. If Sam was making the minimum payment of $165 per month on his credit card at an interest of 23.5% compounded monthly for the next 7 years, what was the original amount on the credit card?

2. From the previous question, how much interest did Sam pay on his credit card?

3. If Alicia was making payments of $550 at the end of every three months into a special savings account that pays her interest at the rate of 6.43% compounded monthly. A) How much would Alicia have in her special savings account after 15 years? B) How much interest has Alicia earned?

4. Joan wishes to retire in 30 years. She is going to make payments of $1,000 every six months into her RRSP for the next 20 years. If the RRSP earns an interest rate of 7.25% semi–annually for all 30 years, how much money would be in the fund at the end of the 30 years?

5. If Dwayne buys a car with a down payment of $2,500 and payments of $850 monthly for 7 years, what was the purchase price of the car if the interest rate is stated as being an effective interest rate of 8.15%?