

FIN 3000

Fall 2009

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Homework 1 Answer Key (pp. 30-1)

#2)

$$\begin{aligned} .15 \times .10 &= .015 \\ .25 \times .08 &= .020 \\ .40 \times .06 &= .024 \\ .10 \times .12 &= .012 \\ .10 \times .05 &= .005 \end{aligned}$$

$$\underline{\quad\quad\quad} .076 = \boxed{7.6\%}$$

#3)

$$\begin{aligned} P_0 &= \$58 \\ D &= \$2.40 \\ P_1 &= \$64 \end{aligned}$$
$$\frac{(\$64 - \$58) + \$2.40}{\$58} = \frac{\cancel{\$8.40}}{\cancel{\$58}} = \boxed{14.5\%}$$

#5)

$$\begin{aligned} n &= 5 \\ r &= 8.5\% \\ \text{face value} &= \$10,000 \\ P &= 102 \end{aligned}$$

a) $5 \times \frac{102}{100} \times \$10,000 = \boxed{\$51,000}$

b) $5 \times .085 \times \$10,000 = \boxed{\$4,250}$

$$\#8) \frac{\text{€ } 1.75}{\$ 1} \Rightarrow \boxed{\frac{\$.57}{\text{€ } 1}}$$

$$\#9) \text{NI} = \text{€ } 200,000$$

$$e = \frac{\$ 1}{\text{€ } 1} \rightarrow \frac{\$.50}{\text{€ } 1}$$

Net income reported in the U.S. will have dropped.