

HOMEWORK Questions...

6. Jake and Archie are looking for places to live.
- Jake decides to rent a house for \$1400 per month.
 - Archie buys a house for \$189 900, with a down payment of 10%. The bank has offered Archie a 20-year mortgage for the remainder of the cost, at 4% compounded semi-annually, with payments every two weeks.
- Jake and Archie both move after 5 years. Archie's house has depreciated by 2% per year. Compare Jake's and Archie's housing costs.

Rent (no asset)

1400*12*5
384000

Buy (Asset)

Down Payment = 0.10×189900
18990

N=520
I%=4
PV=170910
PMT=-476.215394
FV=0
P/Y=26
C/Y=2
PMT: [] BEGIN

$189900 - 18990$
PMT = 476.22

476.22*26*5
61908.6
Ans+18990
80898.60

Pay + Down Payment

* SELL (Depreciates)

$189900 * 0.98^5$
171654.5593

BANK ME ☺

N=130
I%=4
PV=170910
PMT=-476.215394
FV=-139927.2952
P/Y=26
C/Y=2
PMT: [] BEGIN

owe

171654.56-139927.30
31727.26

Buy & Sell

80898.6-31727.26
49171.34

No Asset

Ready for the test??? REVIEW Time...

Chapter 8: Investing Money

- mid chapter review p. 481
- chp review p. 507
- chp self test p. 506

Chapter 9: Borrowing Money

- mid chapter review p. 539
- chp review p. 573
- chp self test p. 572

Cumulative Review... Chp. 8/9 p. 576

Simple Interest

$$I = Prt$$

$$A = P + I$$

$$A = P + Prt$$

$$A = P(1 + rt)$$

Compound Interest

$$A = P\left(1 + \frac{r}{n}\right)^{nt}$$

$$I = A - P$$

Present Value

$$P = \frac{A}{\left(1 + \frac{r}{n}\right)^{nt}}$$

Rule of 72 and Rate of Return

$$\text{Doubling Time} = \frac{72}{\text{Rate}}$$

$$\text{ROR} = \frac{\text{\$earn}}{\text{\$invested}} \times 100\%$$

TVM-Solver

N =
 I % =
 PV =
 PMT =
 FV =
 P / Y =
 C / Y =
 PMT : END BEGIN