

Your Name:

Quiz 3

100 Points (Time: 30:00 Minutes)

Explain and show your work. No use of computer or cell phone allowed. Use of printed formula sheet and table for 8% is allowed. Non-digital textbook for use of 8% table (not the formula) is allowed.

PROBLEM:

Two projects are considered for evaluation at 8% APR. Both projects can be re-invested with the same conditions.

Project 1 is a 2-year investment plan. Pay \$100 now, and \$80 at the end of each season for two years. Withdraw \$150 at the end of each month in the second year. Monthly compounding in effect.

Project 2 is a 3-year investment plan. Pay \$100 now, and \$30 at the end of each month for one and half years. Begin withdrawing \$150 seasonally starting at year 2 to the end of the project. Monthly compounding in effect.

Identify which project is more profitable and how much more.