

Unit 5 - Week 4

Course outline

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● Compounding Frequency of Interest

● Interest Factors for Continuous Compounding

● Introduction to Economic Equivalence

○ Principles of Equivalence

● Problem Solving on Compounding Frequency and Equivalence

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Assignment 4

The due date for submitting this assignment has passed.
As per our records you have not submitted this assignment.

Due on 2020-02-26, 23:59 IST.

1) For your deposit in bank, interest rate of Bank A offers 8.5% compounded quarterly and Bank B offers 8.4% compounded continuously. Which one is **1 point** better?

- Bank A
 Bank B
 Either Bank A or B
 Can't be said

No, the answer is incorrect.
Score: 0

Accepted Answers:
Bank A

2) The amount required at the end of year 4 to repay an amount of Rs. 400000 borrowed today at an interest rate of 12% compounded quarterly will be **1 point**

- Rs. 592368
 Rs. 641882
 Rs. 683432
 Rs. 602334

No, the answer is incorrect.
Score: 0

Accepted Answers:
Rs. 641882

3) The rate of interest compounded quarterly, which will make an investment double itself in 5 years is **1 point**

- 14.87%
 5.8%
 4.8%
 14.11%

No, the answer is incorrect.
Score: 0

Accepted Answers:
14.11%

4) A student decides to make semi-annual payments of Rs. 500 each into a bank account that pays a nominal interest of 8% compounded weekly. Assuming that only one (the final) withdrawal is made, the amount accumulated by the student in the bank account at the end of 20 years will be **1 point**

- Rs. 60720
 Rs. 54830
 Rs. 48394
 Rs. 40832

No, the answer is incorrect.
Score: 0

Accepted Answers:
Rs. 48394

5) You are considering purchasing a piece of industrial equipment that costs Rs. 30000. You decide to make a down payment in the amount of Rs. 5000 and to borrow the remainder from a local bank at an interest rate of 9%, compounded monthly. The loan is to be paid off in 36 monthly installments. The amount of monthly payment will be **1 point**

- Rs. 954
 Rs. 833
 Rs. 795
 Rs. 694

No, the answer is incorrect.
Score: 0

Accepted Answers:
Rs. 795

6) The present worth of following series of cash flow of an interest rate of 10% compounded annually will be: **1 point**

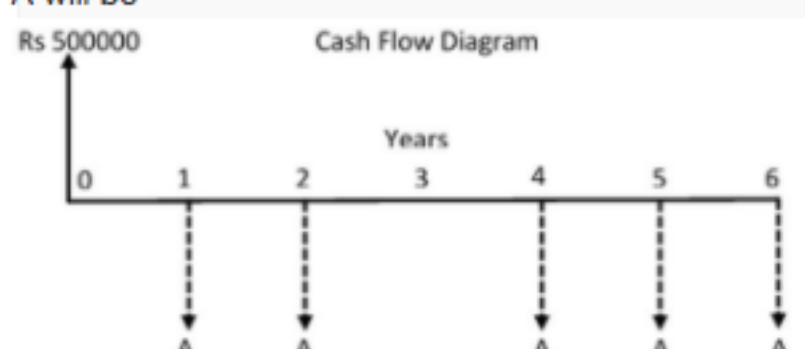
End of Year	Net cash flow
1	55000
2	60500
3	0
4	73205

- Rs. 135000
 Rs. 150000
 Rs. 140000
 Rs. 155000

No, the answer is incorrect.
Score: 0

Accepted Answers:
Rs. 150000

7) You have taken a loan of Rs. 500000 at interest rate of 15% compounded annually and wish to repay the loan as per following schedule. The amount **1 point** A will be



- Rs. 139370
 Rs. 205310
 Rs. 159904
 Rs. 180430

No, the answer is incorrect.
Score: 0

Accepted Answers:
Rs. 159904

8) Effective annual interest rate for nominal interest rate 12% compounded semiannually is **1 point**

- 13.78%
 12%
 14.49%
 12.36%

No, the answer is incorrect.
Score: 0

Accepted Answers:
12.36%

9) Nominal rate of 10% compounded monthly will result into effective rate of% with a time interval of 3 years. **1 point**

- 32.26
 26.84
 34.82
 17.29

No, the answer is incorrect.
Score: 0

Accepted Answers:
34.82

10) For nominal interest rate of %, effective annual interest rate will be 15% when compounding is continuous. **1 point**

- 11.33
 13.97
 12.21
 12

No, the answer is incorrect.
Score: 0

Accepted Answers:
13.97