

Chp. 10

$$\begin{aligned}
 1. \quad A &= P(1+rt) \\
 &= 1500(1+0.02(12)) \\
 &= \$1860
 \end{aligned}$$

2. Option A (Simple)

Option B (Compounded)

$$\begin{array}{l|l}
 5 \text{ yrs} & 1000(1+0.035(5)) \\
 & = \$1175
 \end{array}$$

$$\begin{array}{l}
 1000(1.03)^5 \\
 \$1159
 \end{array}$$

$$\begin{array}{l|l}
 15 \text{ yrs} & 1000(1+0.035(15)) \\
 & = \$1525
 \end{array}$$

$$\begin{array}{l}
 1000(1.03)^{15} \\
 = \$1558
 \end{array}$$

$$\begin{aligned}
 3a) \quad & 2000(1+0.03(5)) \\
 & = 2300
 \end{aligned}$$

↑
Better for
Bank

$$b) \quad \frac{0.03}{12} = 0.0025$$

$$\begin{aligned}
 & 2000(1.0025)^{60} \\
 & = \$2323.23
 \end{aligned}$$

↑
Better for
James