Practice worksheet | Financial mathematics

Changing assumptions and checking results

Name: _____ Date: _____

6 questions | 15 marks

1. A no-fee model gives 2640 dollars. A 25-dollar fee is charged only at the end. Find the adjusted result. [2 marks]

2. Compare 1000 dollars compounded annually for 2 years at 3% and 4%. Find the difference. [3 marks]

3. Why is comparing final balances unfair if one model starts at 500 dollars and the other at 1000 dollars? [2 marks]

4. A calculation uses 5 instead of 0.05 as the decimal rate. What factor does it use instead of 1.05? [2 marks]

5. A straight-line model gives an ordinary resale value of −80 dollars. What should be checked? [3 marks]

6. State two assumptions in a 10-year model using a constant 6% annual compound factor with no other terms. [3 marks]