Homework 1

1. What word describes compensation paid or received for “renting” money?

2. What is meant by the term minimum attractive rate of return (MARR)?

3. At an interest rate of 8% per year, $50,000 one year from now is equivalent to what amount now?

4. A local developer invested $10 million in an apartment complex one year ago. Since then, they have earned profits of $1,250,000. What annual rate of return does this represent?

5. What annual interest rate makes $2.00 today economically equivalent to $2.36 one year from now?