

Problem 1)

Twelve deposits of \$1,000 are made at the end of every quarter at an interest rate of 10% compounded quarterly (Case A) and another deposit of \$2,000 is made every six- months at an interest rate of 12% for three years (Case B).

a. Show CFD for each case

b. What is the accumulation after three years for each case?

c. What is the effective interest rate in each the case?

d. Which case is better?