$\mathrm{MA}\ 158$

Quiz 7

12 octubre 2016

Instructions: Show all work, with clear logical steps. No work or hard-to-follow work will lose points.

Recall the important formulae:

$$A = P\left(1 + \frac{r}{n}\right)^{nt}$$
 and $A = Pe^{rt}$.

Problem. (4 points) You have \$20,000 to invest. And you have two different banking options:

A: Compounded monthly at a nominal rate of 11%

B: Compounded continuously at a nominal rate of 10.97%.

Determine whether you would choose A or B. (Justify your response.)