Practice worksheet | Investing and borrowing

Tax/inflation effects on returns

Name: _____ Date: _____

6 questions | 12 marks

1. AUD 5000 earns 4% interest. Tax is 20% of the interest. Find tax and retained earnings. [2 marks]

2. What after-tax rate results from 5% interest taxed at 30% of each interest credit? [2 marks]

3. A balance grows 7% while prices rise 4%. Find the exact real growth rate to 3 decimal places. [2 marks]

4. AUD 6000 in one year has prices 2% higher. Express it in current-year purchasing power. [2 marks]

5. An investment grows 3% after tax while inflation is 5%. Is purchasing power higher or lower? Quantify to 3 decimal places. [2 marks]

6. Why does the formula not describe actual tax on every possible investment? [2 marks]