Practice worksheet | Financial mathematics

Inflation/tax/fees

Name: _____ Date: _____

6 questions | 18 marks

1. AUD 8,000 earns 4% interest, then a fixed AUD 50 fee is charged. Find the final balance. [3 marks]

2. A 7% annual return is taxed at a stated 25% of interest. Find the after-tax interest rate. [3 marks]

3. Prices rise 2.5% annually for 4 years. What future amount has the purchasing power of AUD 10,000 today? [3 marks]

4. A balance of AUD 15,000 in 5 years is measured when inflation has been 3% annually. Express it in today’s dollars. [3 marks]

5. An account grows 2% while prices grow 4%. Calculate its real return and interpret the sign. [3 marks]

6. AUD 3,000 earns 5%, then a fee of 1% of the post-interest balance is charged. Find the final balance. [3 marks]