

MGT – 201 ASSIGNMENT SOLVED BY “MOHAMMAD BILAL AZEEM”

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Plan A:

First plan requires a deposit of **Rs: 5,000** every **six months** with **annual interest** rate of **6.5 percent**, **compounded semiannually**.

Answer:

$$\begin{aligned}\text{Future Value} &= \text{PMT} [((1 + I)^n - 1) / i] \\ \text{Future Value} &= 5000 [((1 + .0325)^{20} - 1) / .0325] \\ \text{Future Value} &= 5000 [(1.0325)^{20} - 1] / .0325 \\ \text{Future Value} &= 5000 [(1.895837924 - 1) / .0325] \\ \text{Future Value} &= 5000 [.895837924 / .0325] \\ \text{Future Value} &= 5000 [27.56424382] \\ \text{Future Value} &= \mathbf{137821.2191}\end{aligned}$$

Plan B:

However, under the second plan, he has to deposit **Rs: 10,000** every year with **Interest rate of 7.5 percent compounded annually**.

Answer:

$$\begin{aligned}\text{Future Value} &= \text{PMT} [((1 + I)^n - 1) / i] \\ \text{Future Value} &= 10000 [((1 + .075)^{10} - 1) / .075] \\ \text{Future Value} &= 10000 [(1.075)^{10} - 1] / .075 \\ \text{Future Value} &= 10000 [(2.061031562 - 1) / .075] \\ \text{Future Value} &= 10000 [1.061031562 / .075] \\ \text{Future Value} &= 10000 [14.1470875] \\ \text{Future Value} &= \mathbf{141470.875}\end{aligned}$$

Plan C:

You are required to analyze that which plan would be **suitable** for him while keeping in view his major concern: ‘The value of plan at the end of **10th** year

Answer:

As we calculating the 2nd plan is suitable for him whereas keeping in view his main apprehension

Plan D:

What would be the change in your decision if the interest rate on second plan is also **6.5 percent**?

Answer:

Interest rate of 2nd plan if 6.5% than, so I'll be choosing plan “A” because 6.5% interest rate using in Plan “B” so Future Value will be lower than Plan “A”.