

1. Match the terms on the left with the equivalent terms on the right by placing the letter corresponding to the terms on the right in front of the correct term on the left. (12 points)

___ (i) maturity value

(a) interest (used once)

___ (ii) proceeds

(b) amount borrowed (used 3 times)

___ (iii) bank discount

(c) amount paid back (used twice)

___ (iv) principal

___ (v) face value (simple interest note)

___ (vi) face value (simple discount note)

2. Suppose your retail business takes out a 60 day simple discount note whose face value is \$4000, and the ordinary interest discount rate is 8%. (12 points)

a. What is the interest amount?

b. What are the proceeds?

c. What is the maturity value?

3. Suppose your retail business takes out a 60 day, 8% simple ordinary interest note whose face value is \$4000. (12 points)

a. What is the interest amount?

b. What are the proceeds?

c. What is the maturity value?

6. Fill in the following chart. Assume a bank discount rate of 8%. Assume ordinary interest. (16 pts.)

Face Value (principal)	Interest of Rate note	Length
<u>\$30,000</u>	<u>7%</u>	<u>45 days</u>

Maturity Value	Date of note	Date note is discounted
<u> </u>	<u>Jan. 16</u>	<u>Jan. 31</u>

Discount period	Bank discount	proceeds
<u> </u>	<u> </u>	<u> </u>

7. On July 16, Stark Co. discounted a \$5000, 150 day note for cash at Fractal Bank. Fractal's discount rate was 8.5% The note was dated June 1. What proceeds did Stark Company receive? (12 points)

8. On April 10, Ken Long accepted a \$25,000, 180 day note at 6% simple ordinary interest from the 500 Festival Committee. On August 15, Ken Long needed some cash, so he sold the note at Marathon Bank at a 7% ordinary discount rate. Assume ordinary interest. (14 points)

- What was the maturity value of the note?
- When must the 500 Festival Committee pay off the note?
- How many days are in the discount period?
- What is the bank's discount?
- What are Ken Long's proceeds?