

TOPIC

Economics – Section VI – Question 7

QUESTION

Your grandfather would like to establish an annual \$15,000 scholarship in the name of his great grandmother. The money he must place in the endowment if it earns a 4% interest most nearly is

- (A) \$15,000
- (B) \$350,000
- (C) \$375,000
- (D) \$1,500,000

HINT

The interest of \$15,000 generated is 4% of the principal amount.

SOLUTION

When

$$\begin{aligned}n &= \infty, P = A/i \\ P &= \frac{15000}{0.04} \\ &= \$375,000\end{aligned}$$

ANSWER

(B)

CONTRIBUTOR

Ram Pendyala