

Answer to Question #91171, Economics / Microeconomics

$$SP = \frac{R1}{1+r} + \frac{R2}{(1+r)^2}$$

$$16000 = \frac{7200}{1+r} + \frac{7200}{(1+r)^2}$$

$$\text{let } a = 1 + r$$

$$a^2 * (16000) - 7200a + 7200 = 0$$

$$a=0.9325, -0.4825$$

$$r = 0.9325 - 1 = -0.0675 = -6.75\%$$

Answer provided by <https://www.AssignmentExpert.com>