

Answer on Question 39696 – Math - Other

Question.

You are selling your house. The Kumars have offered you Rs. 115,000. They will pay you immediately. The Singhs have offered you Rs. 150,000 but they cannot pay you until three years from today. The interest rate is 10 percent. Which offer should you use?

Solution.

If the interest rate is 10 percent, then 115 000 today will become in 3 years

$$115000 * (1.1)^3 = 15306.5$$

which is more than 150 000. Hence, Kumars' offer is better, you should take it.