

Answer on Question #79345 – Math – Financial Math

Question

Alistar has an annual income of \$25,000. He decides to take classes on line and at night so that he can continue to work. After 3 years he gets his degree and immediately starts earning \$32,000 per year. If it takes Alistar 6 years to recover his investment for his education, how much did it cost him?

- a. \$21,000
- b. \$42,000
- c. \$63,000
- d. \$150,000

Solution

Alistar's 6-year investment plan consists of two periods. In the first period, from year 1 to 3, he makes investment for his education. The second period, from year 4 to 6, he receives additional \$7000 every year ($\$32000 - \25000), i.e. $\$7000 \times 3 = \21000 . In second period he can spend this additional earning to recover his investment.

Answer: a. \$21,000.