Solution 1.15

Which of the following 1-year investments has the highest rate of return: $12,500 that yields $1125 in interest, $56,000 that yields $6160 in interest, or $95,000 that yields $7600 in interest?

Solution:

$$i = (1125/12,500)*100 = 9\%$$
$$i = (6160/56,000)*100 = 11\%$$
$$i = (7600/95,000)*100 = 8\%$$

The $56,000 investment has the highest rate of return