Name:

Score: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Your friend John offers to give you a used car for free. However, he tells you that the car will cost $1,000 per year to operate. But he says, “Don’t worry, at the end of 10 years, its resale value will be $20,000, and you will break even.” Three questions:

(1) What must the value of the MARR be such that you break even?

(2) What happens if the MARR is half the value calculated in (1)? Do you make more money, or lose money? Explain.

(3) What happens if the MARR is twice the value calculated in (1)? Do you make money or lose money? Explain.