

## **SAMPLE PAPER 4: PAPER 1**

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### **QUESTION 4 (25 MARKS)**

#### **Question 4 (a)**

Gross amount at the end of 5 years =  $€10\,000 \times 1.01^5 = €10\,510.10$

Interest earned =  $€510.10$

Tax is payable on the interest at 30%, which means you get to keep 70% of the interest.

Amount of interest retained =  $€510.10 \times 0.7 = €357.07$

Amount payable after 5 years =  $€10\,357.07$

#### **Question 4 (b)**

Gross amount at the end of 5 years =  $€10\,000 \times 1.01^5 = €10\,510.10$

Bonus payment =  $€10\,510.10 \times 0.1 = €1051.01$

Total interest earned =  $€510.10 + €1051.01 = €1561.11$

Amount of interest retained =  $€1561.11 \times 0.7 = €1092.78$

Amount payable after 5 years =  $€11\,092.78$

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