ECO 102 Assignment 2

Due Date: Sunday, April 13th , 11:59 AM (Toronto Time)

Submission Instructions:

- You MUST digitize and upload your work to **Crowdmark**, question by question (i.e., one question at a time to each corresponding upload place), and complete your uploads before the due time.
- It is strongly suggested that you start your upload process at least 15 minutes before the window closes.
- Do NOT upload on Quercus.

Question 1 [15 marks]

A semiconductor firm is considering buying new machines to expand production. The price of the machine is $6 million. They can borrow at a real interest rate of 4% per year, and they can invest in the financial market to achieve a real return of 4%. The firm anticipates, the resale value of the machine to be $5.4 million next year. This rate of value change is anticipated to last for the