BUS-	123	Spring	2013

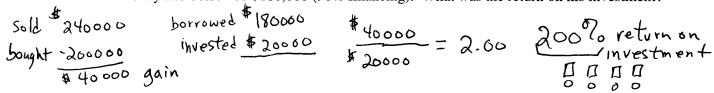
Real Estate & Leverage

Name:	KEY	
Worksheet	-	

Instr: F. Paiano

Calculating the Return on Investment without using Financial Leverage. Dave bought a rental property for

2. Calculating the Return on Investment using Financial Leverage. Suppose Dave invested only \$20,000 of his own money and borrowed \$180,000 (90% financing). What was the return on his investment?



666. Calculating the Return on Investment using Financial Leverage and things do not go as planned. Suppose Dave invested only \$20,000 of his own money and borrowed \$180,000 (90% financing) ... and the property value went down 20%. Now, the question is, "What is he going to tell his wife?"

