

1. *Calculating the Return on Investment without using Financial Leverage.* Dave bought a rental property for \$200,000 cash. One year later, he sold it for \$240,000. What was the return on his \$200,000 investment?

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 his return on 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?”