

**1. Incorrect. The answer is true not false.** In an annual compounding environment, if demand was  $Q$  now in 10 years at annual compounding it would be  $Q_{10} = 1.07^{10} * Q_0 = 1.97 * Q_0$  and in a continuous compounding environment,  $Q_t = \exp(0.07 * 10) * Q_0 = 2.01 * Q_0$ .