

KEY

Problem—Calculating Cost of Living

Problem

How could the cost of living index help determine which of four job offers provides the best standard of living?

What will you do?

You have just graduated from a technical institute here in South Dakota. You have four job offers: one in Sioux Falls, SD, one in Colorado Springs, CO; one in Chicago, IL; and one in Omaha, NE. Each job is offering a different salary, and you want to calculate what you will have to make in the other cities to equal the job offer of \$28,000 in Sioux Falls. Use the website given as a resource and use the composite index. (Round your answer to the nearest whole dollar.)

The formula you will use is:

$$\text{Salary in City 1 (Sioux Falls)} \times \frac{\text{Index of City 2}}{\text{Index of City 1 (95)}} = \text{Equivalent salary in City 2}$$

1. Equivalent Salary in Colorado Springs, CO: \$28,943
2. Equivalent Salary in Chicago, IL: \$39,996
3. Equivalent Salary in Omaha, NE: \$26,291
4. What city is the cheapest to live in based on the cost of living index?
Omaha, NE
5. What would be two other factors that might impact your decision about which job offer to take?

Answers will vary

What will you need?

Calculator (if desired)

Internet access

Cost of living indexes from <http://www.infoplease.com/ipa/A0883960.html>
or from other printed resources or websites

How will you be evaluated?

Key with correct answers