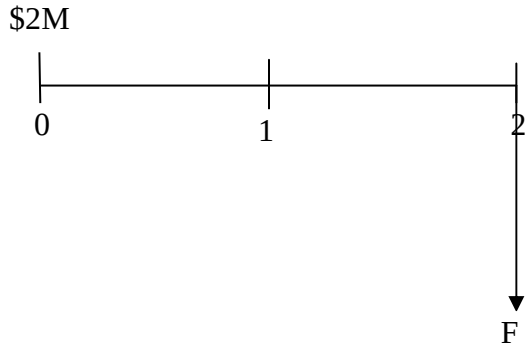
Chapter One Problem Solutions

1.11 Year

1.12 Present Value

1.14



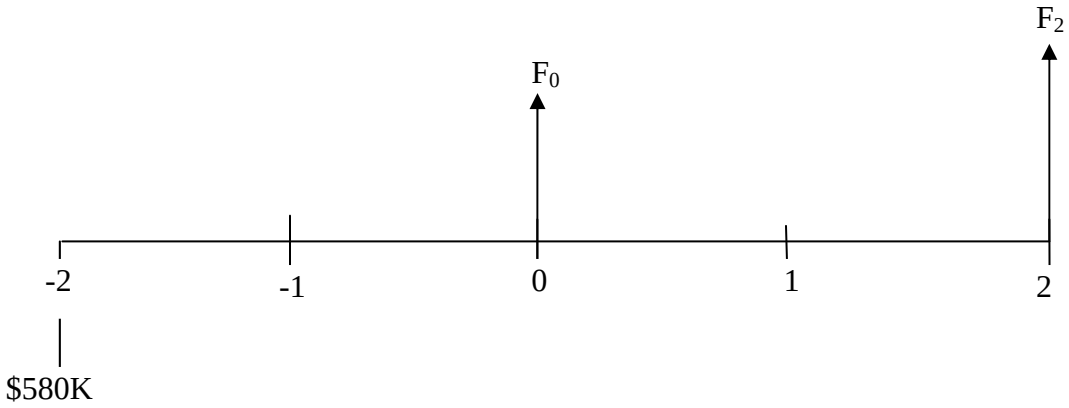
F = $2M (1 + (.10 x 2)) = $2.4

i = $2.4 - $2M = $400,000

1.15 $2M (1+ i) = $2.42M

i = $2.42M/$2M -1 = .21 or 21%

1.21



F_0 = $580K + $580K x .09 x 2 = $684.4K

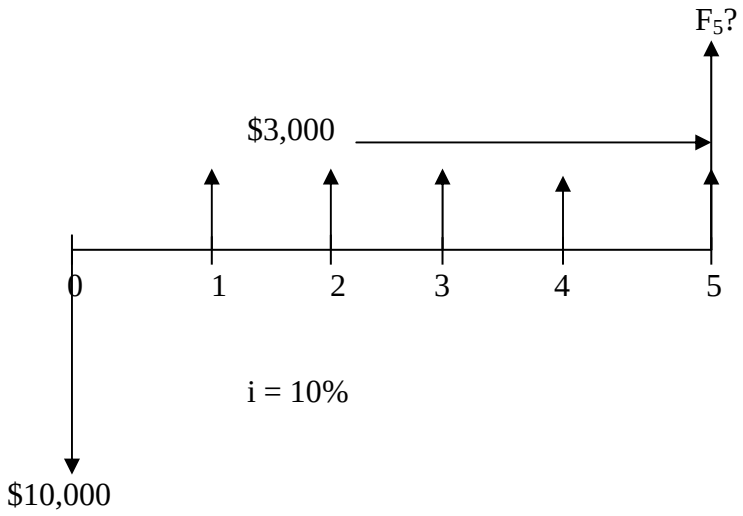
$F_2 = P(1 +i)^2$ = $684.4K $(1 + .09)^2$ = $813,136

1.23 $3 = $1 + ($1 x .2 x n)

n = 10

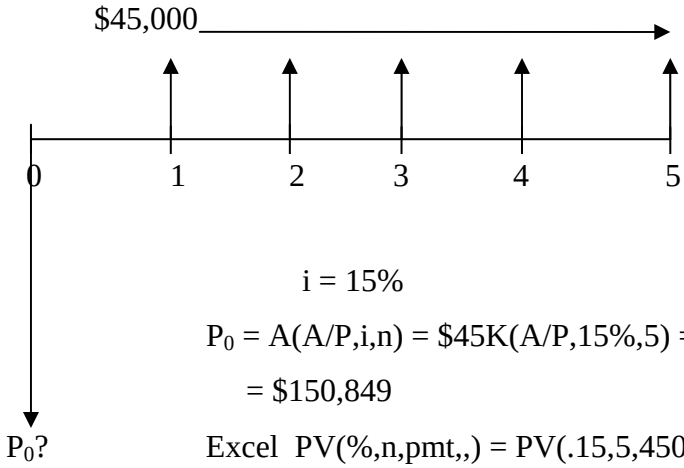
1.34 Cash flow at the end of period – week, month, year, etc.

1.36



1.37

Savings = current expense – projected expense = \$75K - \$30K = \$45K



i = 15%

$P_0 = A(A/P,i,n) = \$45K(A/P,15\%,5) = \$45K(3.3522)$

$= \$150,849$

Excel PV(%,n,pmt,,) = PV(.15,5,45000,,) = \$150,847

1.39 a. F? b. A? c. P?