

FINN1300
Online Quiz Ch5

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Question 1

Correct

Mark 1.00 out of 1.00

🚩 Flag question

What is the present value of an annuity of \$4,000 received at the beginning of each year for the next eight years? The first payment will be received today, and the discount rate is 9% (round to nearest \$1).

Select one:

- a. \$36,288
- b. \$35,712
- c. \$25,699
- d. \$24,132 ✓

The correct answer is: \$24,132

Question 2

Correct

Mark 1.00 out of 1.00

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An investment is expected to yield \$300 in three years, \$500 in five years, and \$300 in seven years. What is the present value of this investment if our opportunity rate is 5%?

Select one:

- a. \$735
- b. \$900
- c. \$885
- d. \$864 ✓

The correct answer is: \$864

You plan to go to Asia to visit friends in three years. The trip is expected to cost a total of \$10,000 at that time. Your parents have deposited \$5,000 for you in a Certificate of Deposit paying 6% interest annually, maturing three years from now. Uncle Lee has agreed to pay for all remaining expenses. If you are going to put Uncle Lee's gift in an investment earning 10% over the next three years, how much must he deposit today, so you can visit your friends three years from today?

Select one:

- a. \$3,039 ✓
- b. \$3,345
- c. \$5,801
- d. \$3,757

The correct answer is: \$3,039

Question 4

Correct

Mark 1.00 out of 1.00

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What is the future value of \$500 invested at 8.94% compounded quarterly for 12.5 years (rounded to nearest \$1)?

Select one:

- a. \$1,617
- b. \$46,739
- c. \$1,510 ✓
- d. \$670

The correct answer is: \$1,510

Assume you are to receive a 10-year annuity with annual payments of \$1000. The first payment will be received at the end of Year 1, and the last payment will be received at the end of Year 10. You will invest each payment in an account that pays 9 percent compounded annually. Although the annuity payments stop at the end of year 10, you will not withdraw any money from the account until 25 years from today, and the account will continue to earn 9% for the entire 25-year period. What will be the value in your account at the end of Year 25 (rounded to the nearest dollar)?

Select one:

- a. \$35,967
- b. \$55,340 ✓
- c. \$48,359
- d. \$48,000

The correct answer is: \$55,340