

FINN1300
Online Quiz Ch6

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Question 1

Not yet answered

Marked out of 1.00

Flag question

Aunt Butch borrows \$19,500 from the bank at 8 percent annually compounded interest to be repaid in 10 equal annual installments. The interest paid in the third year is _____.

Select one:


- a. \$1,947.10
- b. \$1,336.00
- c. \$2,906.11
- d. \$1,560.14

[Clear my choice](#)

Question 2

Answer saved

Marked out of 1.00

 Flag question

The nominal (stated) annual rate is the rate of interest actually paid or earned.

Select one:

- True
- False

Question 3

Not yet answered

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Flag question

If the present value of a perpetual income stream is increasing, the discount rate must be _____.

Select one:

- a. decreasing
- b. increasing proportionally
- c. changing unpredictably
- d. increasing

[Clear my choice](#)

Question 4

Not yet answered

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Flag question

\$100 is received at the beginning of year 1, \$200 is received at the beginning of year 2, and \$300 is received at the beginning of year 3. If these cash flows are deposited at 12 percent, their combined future value at the end of year 3 is _____.

Select one:

- a. \$ 727
- b. \$ 672
- c. \$1,536
- d. \$1,245

[Clear my choice](#)

Question 5

Not yet answered

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Flag question

Dottie has decided to set up an account that will pay her granddaughter (Lexi) \$5,000 a year indefinitely. How much should Dottie deposit in an account paying 8 percent annual interest?

Select one:

- a. \$61,800
- b. \$62,500
- c. \$63,500
- d. \$68,555

[Clear my choice](#)

Question 6

Not yet answered

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Flag question

The future value of an annuity of \$1,000 at the end each quarter for 10 years, deposited at 12 percent compounded quarterly is

Select one:

- a. \$11,200
- b. \$17,549
- c. \$93,049
- d. \$75,401

[Clear my choice](#)

Question 7

Not yet answered

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🚩 Flag question

The effective annual rate increases with increasing compounding frequency.

Select one:

- True
- False

Question 8

Not yet answered

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Flag question

The future value of \$200 received today and deposited at 8 percent compounded semiannually for three years is

Select one:

- a. \$380
- b. \$253
- c. \$158
- d. \$252

[Clear my choice](#)

Question 9

Not yet answered

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Flag question

The present value of \$100 received at the end of year 1, \$200 received at the end of year 2, and \$300 received at the end of year 3, assuming an opportunity cost of 13 percent, is

Select one:

- a. \$1,181
- b. \$ 416
- c. \$ 500
- d. \$ 453

[Clear my choice](#)

Question 10

Not yet answered

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Flag question

A(n) _____ is an annuity with an infinite life making continual annual payments.

Select one:

- a. amortized loan
- b. perpetuity
- c. APR
- d. principal

[Clear my choice](#)