

Time value of money and positive rate assignment

[Business](#)



Bal. Your grandmother invested one lump sum 17 years ago at 4.25 percent interest. Today, she gave you the proceeds of that investment which totaled \$5,539.92. How much did your grandmother originally invest? A. B. D. E. \$2,700.00 \$2,730.30 \$2,750.00 \$2,768.40 \$2,774.90

Forty years ago, your father invested \$2,500. Today that investment is worth \$107,921. What is the average rate of return your father earned on his investment? 8.50 percent 9.33 percent 9.50 percent 9.87 percent 9.99 percent

An annuity stream of cash flow payments is a set of: level cash flows occurring each time period for a fixed length of time. Level cash flows occurring each time period forever. . Increasing cash flows occurring each time period for a fixed length of time. D. Increasing cash flows occurring each time period forever. E. Arbitrary cash flows occurring each time period for no more than 10 years. An annuity stream where the payments occur forever is called a(n): annuity due. Indemnity. Perpetuity. Amortized cash flow stream. Amortization table.

The interest rate expressed as if it were compounded once per year is called the rate. Be. Stated interest compound interest effective annual periodic interest daily interest The interest rate charged per period multiplied by the number of periods per year is called the a. Effective annual b. Annual percentage c. Periodic interest d. Compound interest e. Daily interest b 7.

You are comparing two investment options. The cost to invest in either option is the same today. Both options will provide you with 320,000 of income.

Option A pays five annual payments starting with \$8,000 the first year followed by four annual payments of \$3,000 each. Option B pays five annual payments of \$4,000 each. Which one of the following statements is correct given these two investment options? A. Both options are of equal value given that they both provide \$20,000 of income. B. Option A is the better choice of the given any positive rate of return. C. Option B has a higher present value than option A given a positive rate of return. D. Option B has a lower future value at year 5 than option A given a zero rate of return.