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FINANCE MODULE - PART 2

Started: Aug 15 at 8:42am

Quiz Instructions

Here is some information about your exam.

- This covers TCO 5 and Chapter 7 of the Financial Management text.
- This exam is worth 100 total points, which include the following questions:
  - 10 short-answer questions at 10 points each
- When the time limit is reached, you will automatically be exited from the exam.

By submitting this work, I am attesting that it abides by the **Student Honor Code (https://devryu.instructure.com/courses/899/pages/student-honor-code)** .

Question 1	**10 pts**

(TCO 5) Suzy Books Inc. wishes to borrow $225,000 today for the purchase of publishing materials. They have an agreement with their commercial banker that they can borrow money at an annual rate of 3.5%. How much will the firm owe if they repay the loan in exactly 1 year?

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Question 2

10 pts

(TCO 2) If you were able to invest $32,000 at a rate of 6.40% for 3 months, how much money would you have at the end of that period?

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Question 3   10 pts

(TCO 5) What is the present value of $5,500 received 2 years from today if the prevailing interest rate is 5.40%?

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Question 4

10 pts

(TCO 5) Toyda plans to invest money today at an interest rate of 5% compounded annually to have $50,000 available for the purchase of a car 4 years from now. How much does the firm need to invest today?

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Question 5

10 pts

(TCO 5) You own a contract that promises an annuity cash flow of $400 end-of-the-year cash flows for each of the next 6 years. (*Note:* The first cash flow is exactly 1 year from today). At an interest rate of 9%, what is the future value of this contract exactly 6 years from today?

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Question 6   10 pts

(TCO 5) Jane's parents have created a savings account to save for her college education. If they invest $1,000 a year at 6% interest beginning on her first birthday, how much will be in the account when she reaches age 18?

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Question 7

10 pts

(TCO 5) You own a contract that promises an annuity cash flow of $350 year-end cash flows for each of the next 3 years. (*Note:* The first cash flow is exactly 1 year from today). At an interest rate of 5%, what is the present value of this contract?

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Question 8

10 pts

(TCO 5) You have been accepted into a prestigious private university in Illinois for

(TCO 6) You have been accepted into a prestigious private university in Illinois for your doctoral program. Congratulations! Since no one from this school has ever graduated in only 4 years, you anticipate that you will need to make 10 semi-annual tuition payments of $30,000 each with the first cash flow 6 months from today. If you choose to discount these cash flows at an annual rate of 7%, what is the present value cost of tuition to attend your university of choice?

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Question 9   10 pts

(TCO 5) You are about to purchase a new car from a dealer who has a new and unusual payment plan. You have the choice to pay $29,000 cash today or $32,000 in 4 years. If you have the opportunity to borrow the cash price value of the car at a rate of 3.0% and repay the loan in a lump sum in 4 years, which option should you

rate of 3.0% and repay the loan in a lump sum in 4 years, which option should you take and why?

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Question 10   10 pts

(TCO 5) Which choice has a greater present value if we assume a required rate of return of 9%?

(1)   A lump-sum cash flow today of $248.69

(2) $100 cash flows occurring 1, 2, and 3 years from today

(3)   A single cash flow of $331 3 years from today

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Quiz saved at 8:08am　　Submit Quiz

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