**Purpose of Assignment**

Students should be able to calculate time value of money problems including solving for; present value, future value, rate and payment, determine the value and yield of corporate bonds, and use the dividend discount model to calculate the value and expected return of a common stock.

**Assignment Steps**

**Resources:** Tutorial help on Excel® and Word functions can be found on the Microsoft® Office website. There are also additional tutorials via the web that offer support for office products.

**Complete** the following Questions and Problems from each chapter as indicated.

**Show** all work and analysis.

**Prepare** in Microsoft® Excel® or Word.

* Ch. 5: Questions 3 & 4 (Question and Problems section): Microsoft® Excel® templates provided for Problems 3 and 4

**3. Calculating Present Values** For each of the following, compute the present value:

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**4. Calculating Interest Rates** Solve for the unknown interest rate in each of the following:



* Ch. 6: Questions 2 & 20 (Questions and Problems section)

**2. Present Value and Multiple Cash Flows** Investment X offers to pay you $4,700 per year for eight years, whereas Investment Y offers to pay you $6,700 per year for five years. Which of these cash flow streams has the higher present value if the discount rate is 5 percent? If the discount rate is 15 percent?

**20. Calculating Loan Payments** You want to buy a new sports coupe for $79,500, and the finance office at the dealership has quoted you an APR of 5.8 percent for a 60-month loan to buy the car. What will your monthly payments be? What is the effective annual rate on this loan?

* Ch. 7: Questions 3 &11 (Questions and Problems section)

**3. Valuing Bonds** Even though most corporate bonds in the United States make coupon payments semiannually, bonds issued elsewhere often have annual coupon payments. Suppose a German company issues a bond with a par value of €1,000, 23 years to maturity, and a coupon rate of 5.8 percent paid annually. If the yield to maturity is 4.7 percent, what is the current price of the bond?

**11. Valuing Bonds** Union Local School District has a bond outstanding with a coupon rate of 3.7 percent paid semiannually and 16 years to maturity. The yield to maturity on this bond is 3.9 percent, and the bond has a par value of $5,000. What is the price of the bond?

* Ch. 8: Questions 1 & 6 (Questions and Problems section): Microsoft® Excel® template provided for Problem 6

**1. Stock Values**  The Jackson–Timberlake Wardrobe Co. just paid a dividend of $1.95 per share on its stock. The dividends are expected to grow at a constant rate of 4 percent per year indefinitely. If investors require a return of 10.5 percent on The Jackson–Timberlake Wardrobe Co. stock, what is the current price? What will the price be in three years? In 15 years?

**6. Stock Valuation** Suppose you know that a company’s stock currently sells for $63 per share and the required return on the stock is 10.5 percent. You also know that the total return on the stock is evenly divided between a capital gains yield and a dividend yield. If it’s the company’s policy to always maintain a constant growth rate in its dividends, what is the current dividend per share?

**Format** your assignment consistent with APA guidelines if submitting in Microsoft® Word.

**Click** the Assignment Files tab to submit your assignment.