



**STUDYDADDY**

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**BASIC**

(Questions 1–28)

1. **Present Value and Multiple Cash Flows [LO1]** Huggins Co. has identified an investment project with the following cash flows. If the discount rate is 10 percent, what is the present value of these cash flows? What is the present value at 18 percent? At 24 percent?

Year	Cash Flow
1	\$ 680
2	810
3	940
4	1,150

2. **Present Value and Multiple Cash Flows [LO1]** 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?
3. **Future Value and Multiple Cash Flows [LO1]** Cannonier, Inc., has identified an investment project with the following cash flows. If the discount rate is 8 percent, what is the future value of these cash flows in Year 4? What is the future value at a discount rate of 11 percent? At 24 percent?

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Year	Cash Flow
1	\$1,225
2	1,345
3	1,460
4	1,590

4. **Calculating Annuity Present Value [LO1]** An investment offers \$5,500 per year for 15 years, with the first payment occurring one year from now. If the required return is 6 percent, what is the value of the investment? What would the value be if the payments occurred for 40 years? For 75 years? Forever?
5. **Calculating Annuity Cash Flows [LO1]** If you put up \$38,000 today in exchange for a 5.8 percent, 15-year annuity, what will the annual cash flow be?
6. **Calculating Annuity Values [LO1]** Your company will generate \$57,000 in annual revenue each year for the next seven years from a new information database. If the appropriate interest rate is 7.8 percent, what is the present value of the savings?
7. **Calculating Annuity Values [LO1]** If you deposit \$4,000 at the end of each of the next 20 years into an account paying 9.7 percent interest, how much money will you have in the account in 20 years? How much will you have if you make deposits for 40 years?
8. **Calculating Annuity Values [LO1]** You want to have \$50,000 in your savings account 12 years from now, and you're prepared to make equal annual deposits into the account at the end of each year. If the account pays 6.2 percent interest, what amount must you deposit each year?
9. **Calculating Annuity Values [LO2]** Dinero Bank offers you a five-year loan for \$50,000 at an annual interest rate of 7.5 percent. What will your annual loan payment be?
10. **Calculating Perpetuity Values [LO1]** The Maybe Pay Life Insurance Co. is trying to sell you an investment policy that will pay you and your heirs \$40,000 per year forever. If the required return on this investment is 5.1 percent, how much will you pay for the policy?
11. **Calculating Perpetuity Values [LO1]** In the previous problem, suppose a sales associate told you the policy costs \$650,000. At what interest rate would this be a fair deal?



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