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| Instructions |  |

**Question 1**

1. Annuities are

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|  | a. | payments that are exactly the same in amount. |
|  | b. | made at equally spaced intervals of time. |
|  | c. | made monthly, quarterly or annually, for example. |
|  | d. | all of the above. |

2.A dollar today is worth more than the same dollar a year from now.

True

False

3..You receive your department budget information for March, which indicates that you have spent $5,000 year to date. Your annual budget is $20,000. What is the percent of budget you have used?

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|  | a. | 25% |
|  | b. | 45% |
|  | c. | 60% |
|  | d. | 75% |

4.Compounding interest annually means

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|  | a. | interest is earned on the initial deposit and also on interest earned in later years. |
|  | b. | interest is earned on the initial deposit only. |
|  | c. | interest is earned yearly after the deposit has been left in the bank for a minimum of five years. |
|  | d. | none of the above. |

5.When reviewing the Time Value of Money, discounting is

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|  | a. | a process of finding the present value of cash flows. |
|  | b. | the reverse of compounding. |
|  | c. | a retailer marking down merchandise for sale. |
|  | d. | a & b. |

6.Assume we have $100 invested for two years at 10 percent with monthly compounding interest. What is the future value after 2 years?

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|  | a. | $100.04 |
|  | b. | $111.04 |
|  | c. | $122.04 |
|  | d. | $133.04 |

7.You have received your departmental sales figures for this past year. In comparing them to the prior year you have discovered that a decline has occurred. In 2007 your sales were $125,000. In 2008 they are $107,000. The percent of decrease that has occurred is

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|  | a. | 12.2% |
|  | b. | 14.4% |
|  | c. | 16.6% |
|  | d. | 18.8% |

8.To save for retirement, you deposit $1,000 into an IRA at the end of each year for the next 30 years. If the interest rate if 5% compounded annually, find the value of the IRA after 30 years.

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|  | a. | $30,000 |
|  | b. | $41,736 |
|  | c. | $54,839 |
|  | d. | $66,439 |

9.How long does it take for $856 to grow into $1,122 at an annual interest rate of 7%?

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|  | a. | 2 years |
|  | b. | 4 years |
|  | c. | 6 years |
|  | d. | 1. onths |

10 What annual interest rate is used if you lend someone $1,850 and are repaid $2,078.66 in two years?

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|  | a. | 4% |
|  | b. | 5% |
|  | c. | 6% |
|  | d. | 5.5% |

11.What will a deposit of $4,500 at 7% annual interest be worth if left in the bank for nine years?

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|  | a. | $7,723.25 |
|  | b. | $8,279.23 |
|  | c. | $8,385.78 |
|  | d. | $8,273.25 |

1. What is the present value of $800 to be received at the end of 8 years, assuming an annual interest rate of 8 percent?

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|  | a. | $425 |
|  | b. | $432 |
|  | c. | 441 |
|  | d. | 437 |

1. Thirty years ago, Jesse Jones bought 10 acres of land for $1,000 per acre in what is now downtown Houston. If this land grew in value at an annual interest rate of 8 percent, what is it worth today?

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|  | a. | $100,630 |
|  | b. | $180,630 |
|  | c. | $100,900 |
|  | d. | $101,630 |

1. Find the present value of $1,000 to be received at the end of 4 years at an interest rate of 12%, compounded semiannually.

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|  | a. | $622 |
|  | b. | $627 |
|  | c. | 637 |
|  | d. | 675 |

1. Determine the value at the end of 3 years of a $10,000 investment (today) in a bank certificate of deposit (CD) that pays an annual interest rate of 8 percent, compounded monthly.

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|  | a. | $13,652.27 |
|  | b. | $12,812.37 |
|  | c. | $12,702.37 |
|  | d. | $12,642.37 |

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