1. Your finance text book sold 53,250 copies in its first year. The publishing company expects the sales to grow at a rate of 20 percent for the next three years, and by 10 percent in the fourth year. Calculate the total number of copies that the publisher expects to sell in year 3 and 4. ***(If you solve this problem with algebra round intermediate calculations to 6 decimal places, in all cases round your final answers to the nearest whole number.)***

Number of copies sold after 3 years

Number of copies sold in the fourth year

1. Find the present value of $3,500 under each of the following rates and periods.

***(If you solve this problem with algebra round intermediate calculations to 6 decimal places, in all cases round your final answer to the nearest penny.)***

1. **.** 8.9 percent compounded monthly for five years.
2. 6.6 percent compounded quarterly for eight years.
3. 4.3 percent compounded daily for four years.
4. 5.7 percent compounded continuously for three years.
5. Trigen Corp. management will invest cash flows of $331,000, $616,450, $212,775, $818,400, $1,239,644, and $1,617,848 in research and development over the next six years. If the appropriate interest rate is 6.75 percent, what is the future value of these investment cash flows six years from today? ***(Round answer to 2 decimal places, e.g. 15.25.)***
6. wrote a piece of software that does a better job of allowing computers to network than any other program designed for this purpose. A large networking company wants to incorporate your software into their systems and is offering to pay you $500,000 today, plus $500,000 at the end of each of the following six years for permission to do this. If the appropriate interest rate is 6 percent, what is the present value of the cash flow stream that the company is offering you? ***(Round answer to the nearest whole dollar, e.g. 5,275.)***
7. Barbara is considering investing in a stock and is aware that the return on that investment is particularly sensitive to how the economy is performing. Her analysis suggests that four states of the economy can affect the return on the investment. Using the table of returns and probabilities below, find

|  |  |  |
| --- | --- | --- |
|   | **Probability** | **Return** |
| Boom | **0.1** | **25.00%** |
| Good | **0.4** | **15.00%** |
| Level | **0.3** | **10.00%** |
| Slump | **0.2** | **-5.00%** |

What is the expected return on Barbara’s investment? ***(Round answer to 3 decimal places, e.g. 0.076.)***

1. Trevor Price bought 10-year bonds issued by Harvest Foods five years ago for $936.05. The bonds make semiannual coupon payments at a rate of 8.4 percent. If the current price of the bonds is $1,048.77, what is the yield that Trevor would earn by selling the bonds today? ***(Round intermediate calculations to 4 decimal places, e.g. 1.2514 and final answer to 2 decimal places, e.g. 15.25%.)***
2. The First Bank of Ellicott City has issued perpetual preferred stock with a $100 par value. The bank pays a quarterly dividend of $1.65 on this stock. What is the current price of this preferred stock given a required rate of return of 11.6 percent? ***(Round answer to 2 decimal places, e.g. 15.25.)***