

Study Problem 5-1-c

- **FV of \$775 if invested for 12 years at 12% compounded annually?**
- **$FV_n = PV(1+i)^n$ or**
- **$FV_{12} = 775(1 + .12)^{12} = \$3,019.40$**
- **or**
- **775 +/- PV; 12 I/Y; 12 N; 0 PMT**
- **CPT FV = 3,019.40**

Study Problem 5-3-a

- **At what rate would \$500 have to be invested to grow to \$1,948 in 12 years if interest is compounded annually?**
- **500 +/- PV; 1,948 FV; 0 PMT; 12 N;**
- **CPT I/Y = 12 %.**

Study Problem 5-18

- Borrow from a finance company at 12% compounded monthly or from a bank at 13% compounded annually. Which is the better deal?
- Solution: compare the future value of a common set of cash flows, say \$100.
- 12% monthly -100 +/- PV; 12/12 = 1 I/Y; 12 N; 0 PMT; CPT FV = 112.70
- 13% annually – 100 +/- PV; 13 I/Y; 1 N; CPT FV = 113.00