1. *Provide a definition of time value of money.*
2. *To what extent is it important for financial managers to understand the concept of time value of money? Why? Please explain your reasoning in two or three paragraphs.*

If you do not know how to use a calculator for these calculations, use the tables to answer questions 3, 4, 5, and 6.

Brealey, R. A., Myers, S. C., & Allen, F. (2005). Principles of corporate finance, 8th Edition. The McGraw−Hill. Retrieved May 2012 from [*http://jcooney.ba.ttu.edu/fin3322/Brealey%20Files/Appendix%20A%20-%20Present%20Value%20Tables.pdf*](http://jcooney.ba.ttu.edu/fin3322/Brealey%20Files/Appendix%20A%20-%20Present%20Value%20Tables.pdf)

1. Calculate the future value of the following:
   1. $150,537.19 if invested for seven years at a 5% interest rate
   2. $237,891.22 if invested for eight years at a 3% interest rate
   3. $320,891.12 if invested for 10 years at an 11% interest rate
   4. $520,520.22 if invested for 13 years with a 13% interest rate

Use Table 2 [[*http://jcooney.ba.ttu.edu/fin3322/Brealey%20Files/Appendix%20A%20-%20Present%20Value%20Tables.pdf*](http://jcooney.ba.ttu.edu/fin3322/Brealey%20Files/Appendix%20A%20-%20Present%20Value%20Tables.pdf)]

1. Calculate the present value of the following:
   1. $562,126.17 to be received seven years from now with a 5% interest rate
   2. $225,003.21 to be received six years from now with a 6% interest rate
   3. $321,567.35 to received five years from now with an 18% interest rate
   4. $63,000.05 to be received twelve years from now with a 5% interest rate

Use Table 1 [[*http://jcooney.ba.ttu.edu/fin3322/Brealey%20Files/Appendix%20A%20-%20Present%20Value%20Tables.pdf*](http://jcooney.ba.ttu.edu/fin3322/Brealey%20Files/Appendix%20A%20-%20Present%20Value%20Tables.pdf)]

1. Suppose you are to receive a stream of annual payments (also called an "annuity") of $325,891.12 every year for 12 years starting at the end of this year. The interest rate is 6%. What is the present value of these 12 payments?

Use Table 3 [[*http://jcooney.ba.ttu.edu/fin3322/Brealey%20Files/Appendix%20A%20-%20Present%20Value%20Tables.pdf*](http://jcooney.ba.ttu.edu/fin3322/Brealey%20Files/Appendix%20A%20-%20Present%20Value%20Tables.pdf)]

1. Suppose you are to receive a payment of $437,891.24 at the end of each year for five years. You are depositing these payments in a bank account that pays 15% interest. Given these five payments and this interest rate, how much will be in your bank account in five years?

If you do not know how to use a calculator for these calculations, use the table found on [*http://www.principlesofaccounting.com/ART/fv.pv.tables/fvofordinaryannuity.htm*](http://www.principlesofaccounting.com/ART/fv.pv.tables/fvofordinaryannuity.htm)