3. You will receive $5,000 three years from now. The discount rate is 8 percent.

*a.* What is the value of your investment two years from now? Multiply

$5,000 \_ .926 (one year’s discount rate at 8 percent).

*b.* What is the value of your investment one year from now? Multiply your

answer to part *a* by .926 (one year’s discount rate at 8 percent).

*c.* What is the value of your investment today? Multiply your answer to part *b*

by .926 (one year’s discount rate at 8 percent).

*d.* Confirm that your answer to part *c* is correct by going to Appendix B (present

value of $1) for n \_ 3 and i \_ 8 percent. Multiply this tabular value by

$5,000 and compare your answer to part *c.* There may be a slight difference

due to rounding.

4. If you invest $9,000 today, how much will you have:

*a.* In 2 years at 9 percent?

*b.* In 7 years at 12 percent

*c.* In 25 years at 14 percent?

*d.* In 25 years at 14 percent (compounded semiannually)?

5. Your uncle offers you a choice of $30,000 in 50 years or $95 today. If money is

discounted at 12 percent, which should you choose?