Assume a $4,000 investment and the following cash flows for two alternatives.

|  |  |  |
| --- | --- | --- |
| **Year** | **Investment X** | **Investment Y** |
| 1 | $1,000 | $1,300 |
| 2 | 800 | 2,800 |
| 3 | 700 | 100 |
| 4 | 1,900 |  |
| 5 | 2,000 |  |

a. Under the payback method, which investment should be chosen? (Show your work/analysis/calculations for each investment).

b. Why do other methods allow for a better analysis?

A ten-year bond pays 11% interest on a $1000 face value annually. If it currently sells for $1,195, what is its approximate yield to maturity? (Show all work/calculations/formulas)