Present and Future Value ;

Now consider an irregular cash flow stream (where CFs can take on any value).

1. Calculate the Present Value of the Uneven Cash Flows**. Interest Rate = 10%**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| T=0 | T=1 | T=2 | T=3 | T=4 | T=5 |
| $0 | $100 | $300 | $300 | $300 | $500 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

1. Calculate the Future Value of the Uneven Cash Flows.**Interest Rate = 12%**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| T=0 | T=1 | T=2 | T=3 | T=4 | T=5 |
| $0 | $100 | $300 | $300 | $300 | $500 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

1. Assume that an investment with the following positive cash flows has a cost of $957.90 (outflow). Find the rate of return on this investment.



1. How many years does it take for an investment to double if the interest rate is 1.25%?