Finance for Business Textbook Problems

5-16A. (*Future value of an annuity*) In 10 years, you plan to retire and buy a house in Oviedo, Florida. The house you are looking at currently costs $100,000 and is expected to increase in value each year at a rate of 5 percent. Assuming you can earn 10 percent annually on your investments, how much must you invest at the end of each of the next 10 years to be able to buy your dream home when you retire?

5-20A. (*Present value*) The Kumar Corporation plans to issue bonds that pay no interest but can be converted into $1,000 at maturity, seven years from their purchase. To price these bonds competitively with other bonds of equal risk, it is determined that they should yield 10 percent, compounded annually. At what price should the Kumar Corporation sell these bonds?

5-22A. (*Present value of an annuity due*) What is the present value of a 10-year annuity due of $1,000 annually given a 10 percent discount rate?

5-40A. (*Solving for i in compound interest—financial calculator needed*) In September 1963, the first issue of the comic book *X-MEN* was issued. The original price for the issue was 12 cents. By September 2000, 38 years later, the value of this comic book had risen to $6,500. What annual rate of interest would you have earned if you had bought the comic in 1963 and sold it in 2000?