Use the information, below, to answer questions 1 and 2.
Selected items from the financial statements of ABC Company for the year 20X1:

Retained earnings, 01/01/X1	??
Total assets at 12/31/X1	$950
Net Income, year ended 12/31/ X1	110
Retained earnings 12/31/X1	??
Total Liabilities at 12/31/X1	400
Common stock at 12/31/X1	120
Other Paid-in capital 12/31/X1	70

No dividend were declared or paid during the year.

1. What was the balance in retained earnings at 1/1/x1?
    a. $210
    b. $110
    c. $400
    d. $190
    e. None of the above.

2. What was the balance in retained earnings at 12/31/X1?
    a. $110
    b. $400
    c. $190
    d. $210
    e. None of the above

3. An annuity pays $6,000 at the beginning of each year for 20 years. If present value of the annuity is $45,000. Which of the following answers is closest to the discount rate?
    a. 12%
    b. 13%
    c. 14%
    d. 15%
    e. None of the above rates corresponds with a present value of annuity within $500 of $45,000. (Provide the correct answer)

4. An annuity pays $8,000 at the end of each year for 15 years. The discount rate is 12%. Which of the following is the closest to present value of this annuity?
    a. $54,500
    b. $51,750
    c. $120,000
    d. $57,500
    e. None of the above answers are within $500 of the correct answer.

5. Which of the following would be the best investment (i.e. the highest present value)? Assume an annual discount rate of 16%

a. An investment that pays $1,200 at the end of each year for 4 years, assuming annual compounding
b. An investment that pays $290 at the end of each quarter for 4 years, assuming quarterly compounding
c. An investment that pays $290 at the beginning of each quarter 4 years, assuming quarterly compounding?
d. $2,000 today.

6. Which of the following would be the best investment (i.e. the highest present value)? Assume an annual discount rate of 4%
    a. An investment that pays $1,200 at the end of each year for 4 years, assuming annual compounding
    b. An investment that pays $290 at the end of each quarter for 4 years, assuming quarterly compounding
    c. An investment that pays $290 at the beginning of each quarter 4 years, assuming quarterly compounding?
    d. $2,000 today.

Use the following data on ACME stock to solve problems 7 and 8.

Probability	Return
0.15	-0.25
0.20	0.05
0.30	0.12
0.20	0.15
0.15	0.55

7. What is the expected rate of return on the investment? (Round to the nearest %)
    a. 11%
    b. 12%
    c. 21%
    d. 22%
    e. None of the above (Provide the answer)

8. What is the standard deviation of the returns? (Round to the nearest percent)
    a. 11 %
    b. 12 %
    c. 21 %
    d. 22%
    e. None of the above. (Provide the answer)