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| Your company will generate $65,000 in cash flow each year for the next 10 years from a new information database. The computer system needed to set up the database costs $307,000. **(Round your answer to 2 decimal places. Omit the "$" sign in your response.)** |

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| If you can borrow the money to buy the computer system at 8.25 percent annual interest, the present value of the savings is $  . |

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| The present value of the revenue   greater than the cost, so your company   afford the equipment. |

An investment will pay you $59,000 in 6 years. If the appropriate discount rate is 9 percent compounded daily, the present value is $  . **(Round your answer to 2 decimal places.**

Beginning three months from now, you want to be able to withdraw $1,000 each quarter from your bank account to cover college expenses over the next 4 years. If the account pays 1.25 percent interest per quarter, you need to have $   in your bank account today to meet your expense needs over the next four years .**(Round your answer to 2 decimal places**

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| **Amortization with Equal Principal Payments** |
| Prepare an amortization schedule for a 3-year loan of $45,000. The interest rate is 15 percent per year, and the loan calls for a principal reduction of $15,000 every year. **(Omit the "$" sign in your response.)** |
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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Year | Beginning Balance | | Total Payment | | Interest Payment | | Principal Payment | | Ending Balance | |
| 1 | $ | 45,000 | $ |  | $ |  | $ |  | $ |  |
| 2 |  |  |  |  |  |  |  |  |  |  |
| 3 |  |  |  |  |  |  |  |  |  |  |
|  | Total interest paid: | | | | $ |  |  |  |  |  |

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| **Calculating Present Values** |
| In 2001, an athlete signed a contract reported to be worth $302 million. Including a deferred signing bonus, he would receive $29 million per year from 2001–2004, $32 million in 2005, $30 million in 2006, and $31 million per year from 2007–2010. Assume the first payment is made immediately, and the next payment occurs in exactly one year. If the appropriate interest rate is 12 percent, the present value of the contract is $  . |