Name: _____ **Roll #**_____

Question No 1

It will cost $15,500 a year for 6 years when an 7-year old child is ready for college. How much should be invested today if the child will make the first of six annual withdrawals 12-years from today? The expected rate of return is 7%.

A) $73,881.36
B) $32,804.20
C) $35,101,36

Question No 2

Michel Banks just won the lottery and is trying to decide between the annual cash flow payment option or the lump sum option. He can earn 6.5% at the bank and the annual cash flow option is $90,000/year, beginning today for 13 years. What is the annual cash flow option worth to Banks today?

A) $773,976.78
B) $824,285.27
C) $204,073.87.

Question No 3

A neurosurgeon at a large Pakistan university, was recently granted permission to take an 30-month sabbatical that will begin one year from today. During the sabbatical, Asim will need $3,700 at the beginning of each month for living expenses that month. Her financial planner estimates that she will earn an annual rate of 8% over the next year on any money she saves. The annual rate of return during her sabbatical term will likely increase to 11%. At the end of each month during the year before the sabbatical, Asim should save approximately:

A) $7,756.79
B) $7,100.86
C) $7,850.91

Question No 4

If 10 equal annual deposits of $2,000 are made into an investment account earning 7% starting today, how much will you have in 20 years?

A) $29567.19
B) $27,637.58
C) $58,162.76.

Question No 5

What is the present value of a 8-year, $200 annual annuity due if interest rates are remained same?

A) No solution.
B) $1,728
C) $1,600

1 d
2 B
3 C
4 C
5 C
6 C
7 B
8 B
9 A
10 A

Question No 6

If $2,500 were put into an account at the end of each of the next 10 years earning 15% annual interest, how much would be in the account at the end of ten years?

A) $41,965.
B) $27,461.
C) $50,759.

Question No 7

Peter Wallace wants to deposit $10,000 in a bank certificate of deposit (CD). Wallace is considering the following banks:

- Bank A offers 5.85% annual interest compounded annually.
- Bank B offers 5.75% annual interest rate compounded monthly.
- Bank C offers 5.70% annual interest compounded daily.

Which bank offers the highest effective interest rate and how much?

A) Bank B, 5.90%.
B) Bank A, 5.85%.
C) Bank C, 5.87%.

Question No 8

In 10 years, what is the value of $100 invested today at an interest rate of 8% per year, compounded monthly?

A) $216.
B) $222.
C) $180.

Question No 9

An investor has the choice of two investments. Investment A offers interest at 6.75% compounded quarterly. Investment B offers interest at the annual rate of 8.40%. Which investment offers the *higher* dollar return on an investment of $80,000 for three years, and by how much?

A) Investment B offers a $4,109.41 greater return.
B) Investment B offers a $4,581.89 greater return.
C) Investment A offers a $4,512.28 greater return.

Question No 10

Find the future value of annuity due using the information given below.

Amount of annuity	Interest rate	Deposit period (years)
6,000	14	30

A) 2,440,422.03
B) 2,140,721.10
C) 2,540,650.08