

Passed solution review

a. What is the value in today's dollars of \$300 in 2024 if average annual compound rate of inflation is 0.015 between now and then?

$$300(1.015)^4 = 318.409 \quad 300/1.025^4 = 271.79$$

b. What is the value of \$200 today expressed in 2030 dollars if the average annual compound rate of inflation is 0.025 between now and then?

$$200(1.025)^{10} = 256.0169 \quad 200 \cdot 1.05^{10} = 325.78$$