



# Time Value of Money

## Understanding Interest Rates

1. How IR is determined
2. Interpretations of IR



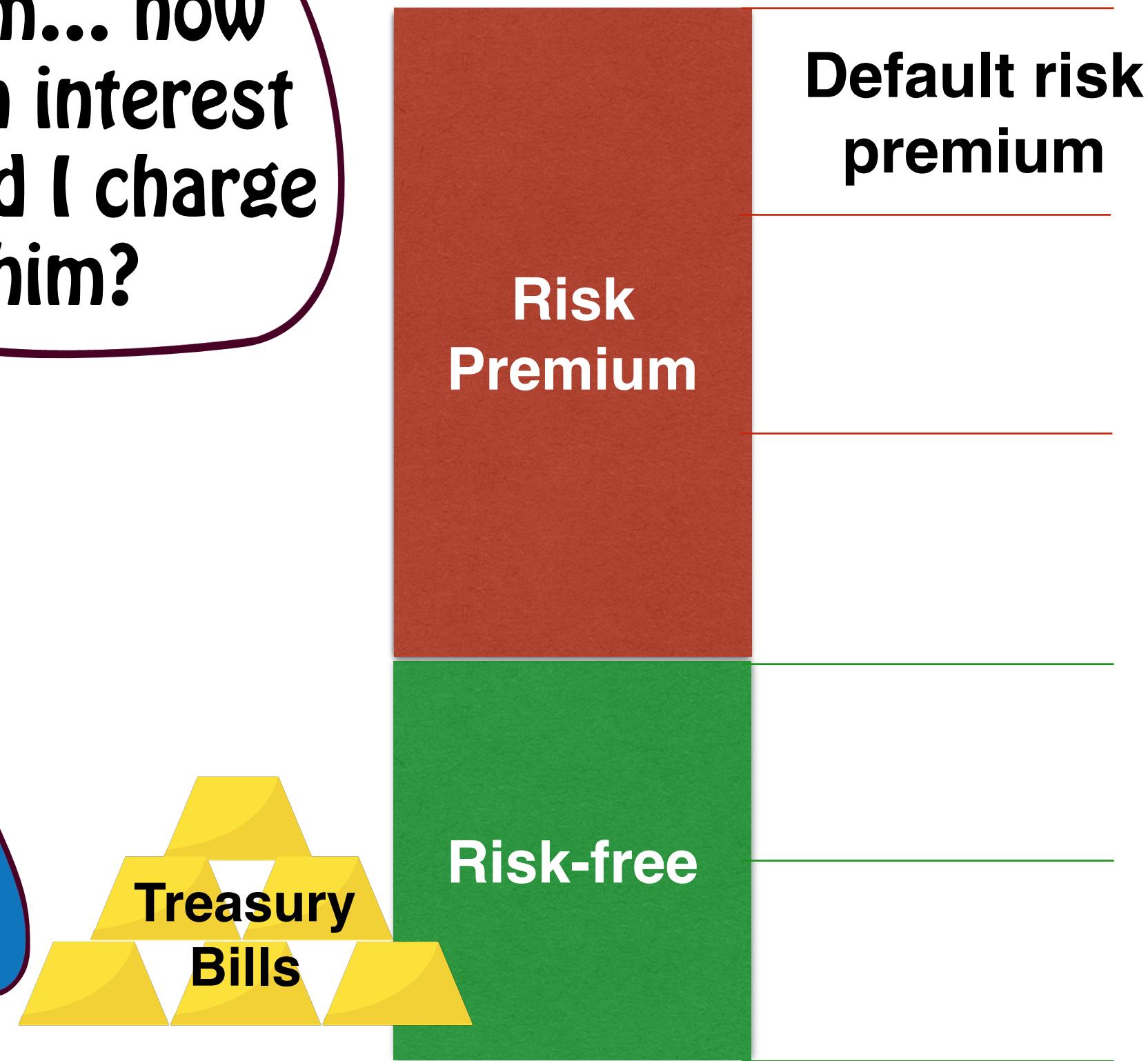
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Hmm... how  
much interest  
should I charge  
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2. Interpretations of IR

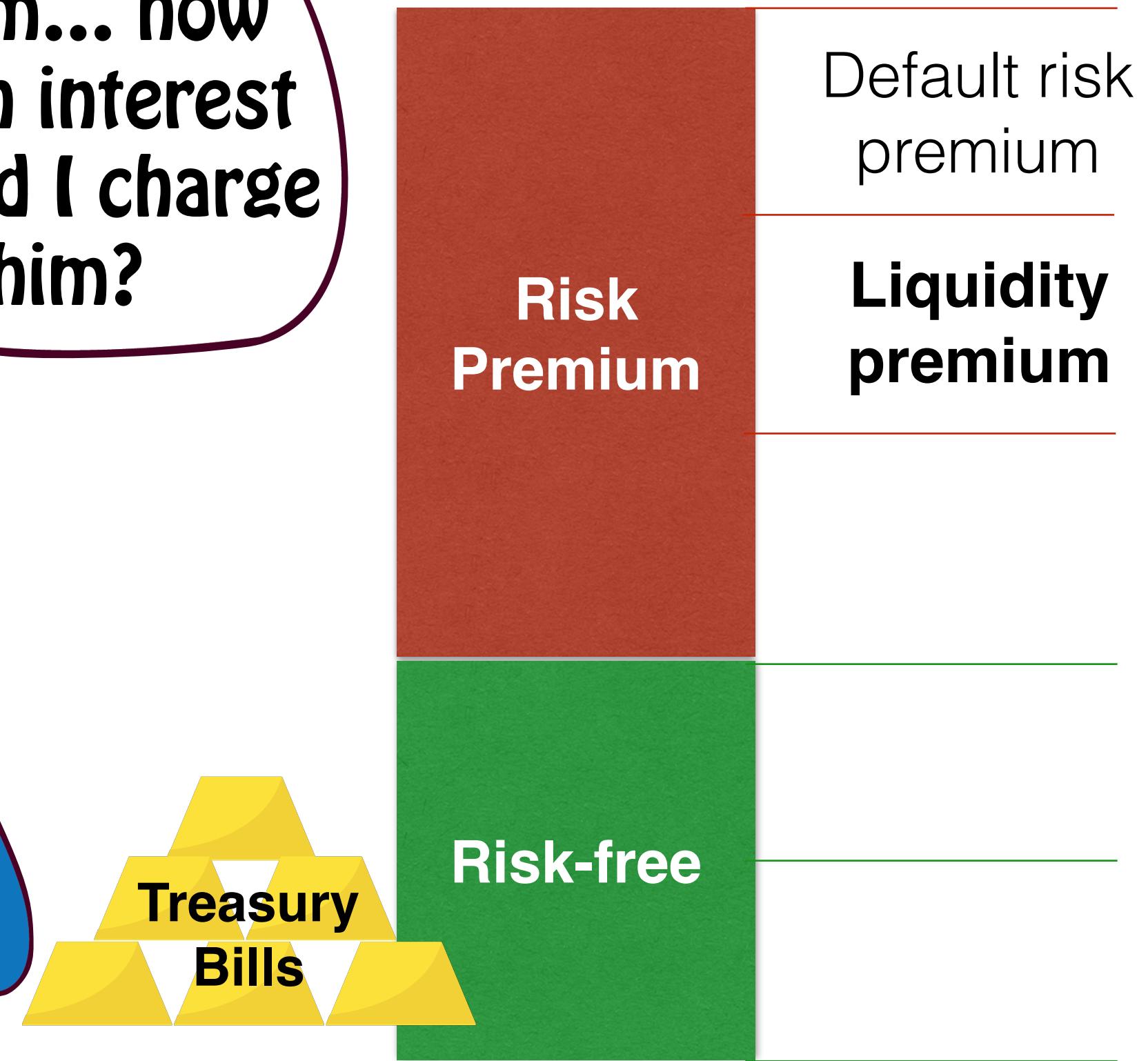
Financials???

Credit rating???





Hmm... how much interest should I charge him?



Can he pay me back?

*How easy is it to convert this to cash?*



I wanna sell but there's no market for this!!!

Can I borrow \$10,000?



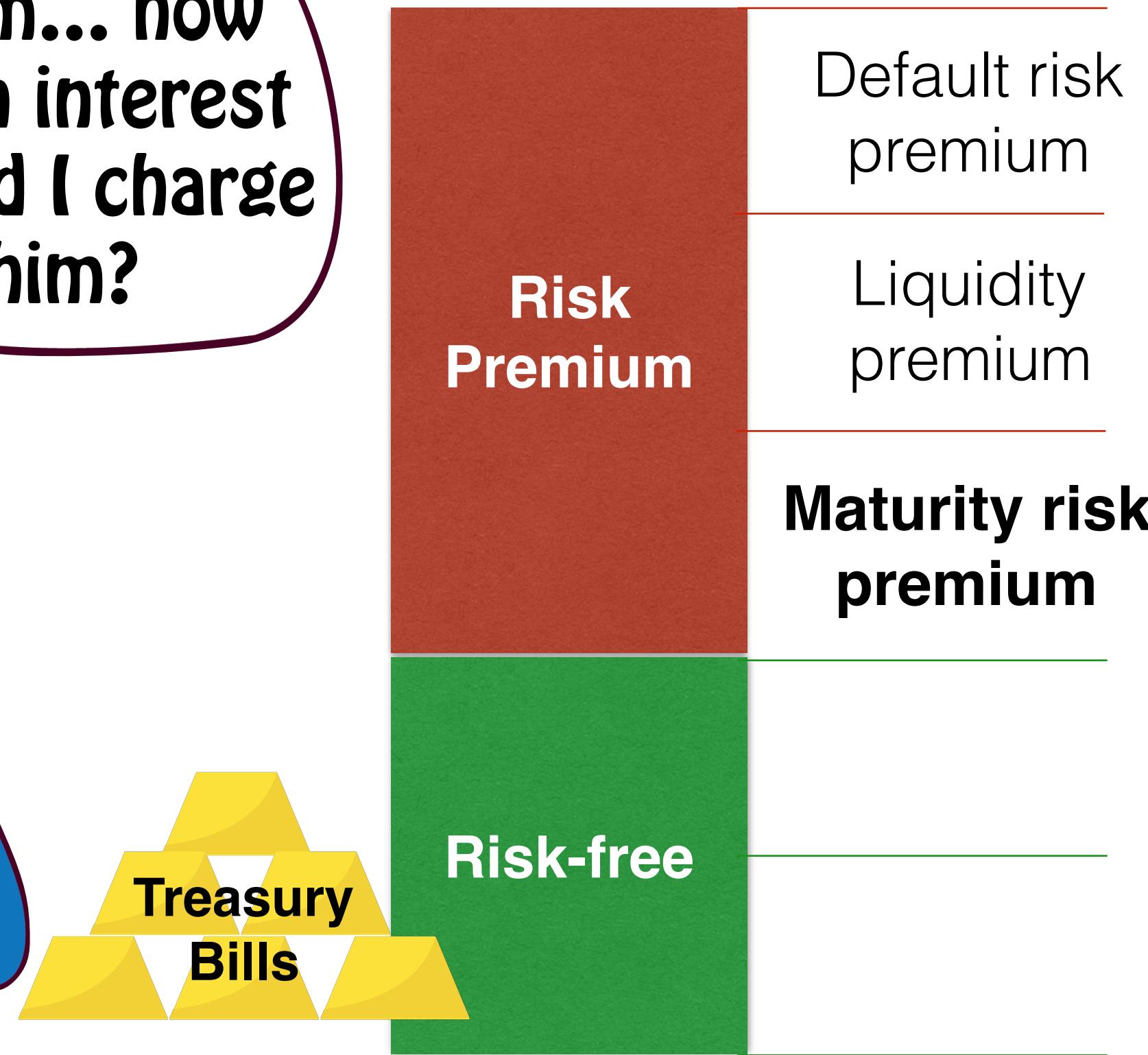
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Hmm... how  
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*Can he pay me back?*

*How easy is it to convert  
this to cash?*

*How long does he take to  
pay me back?*



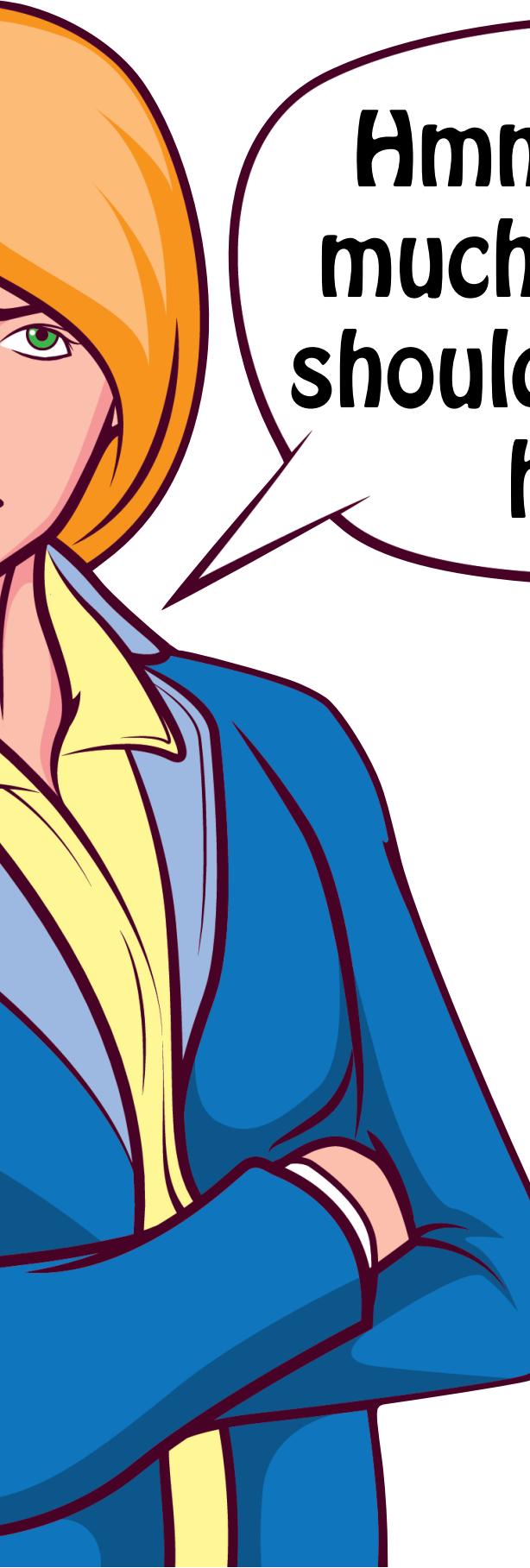
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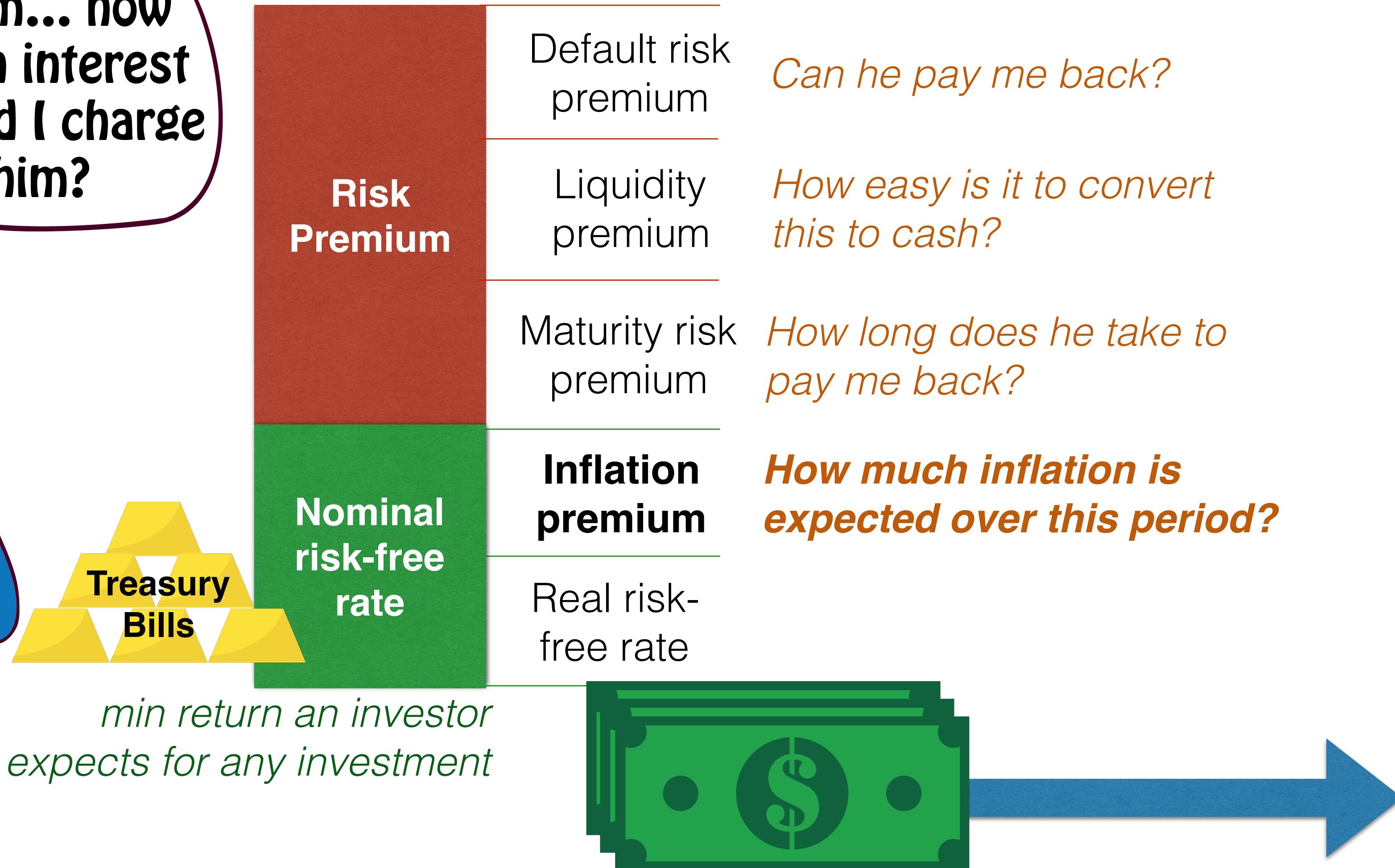
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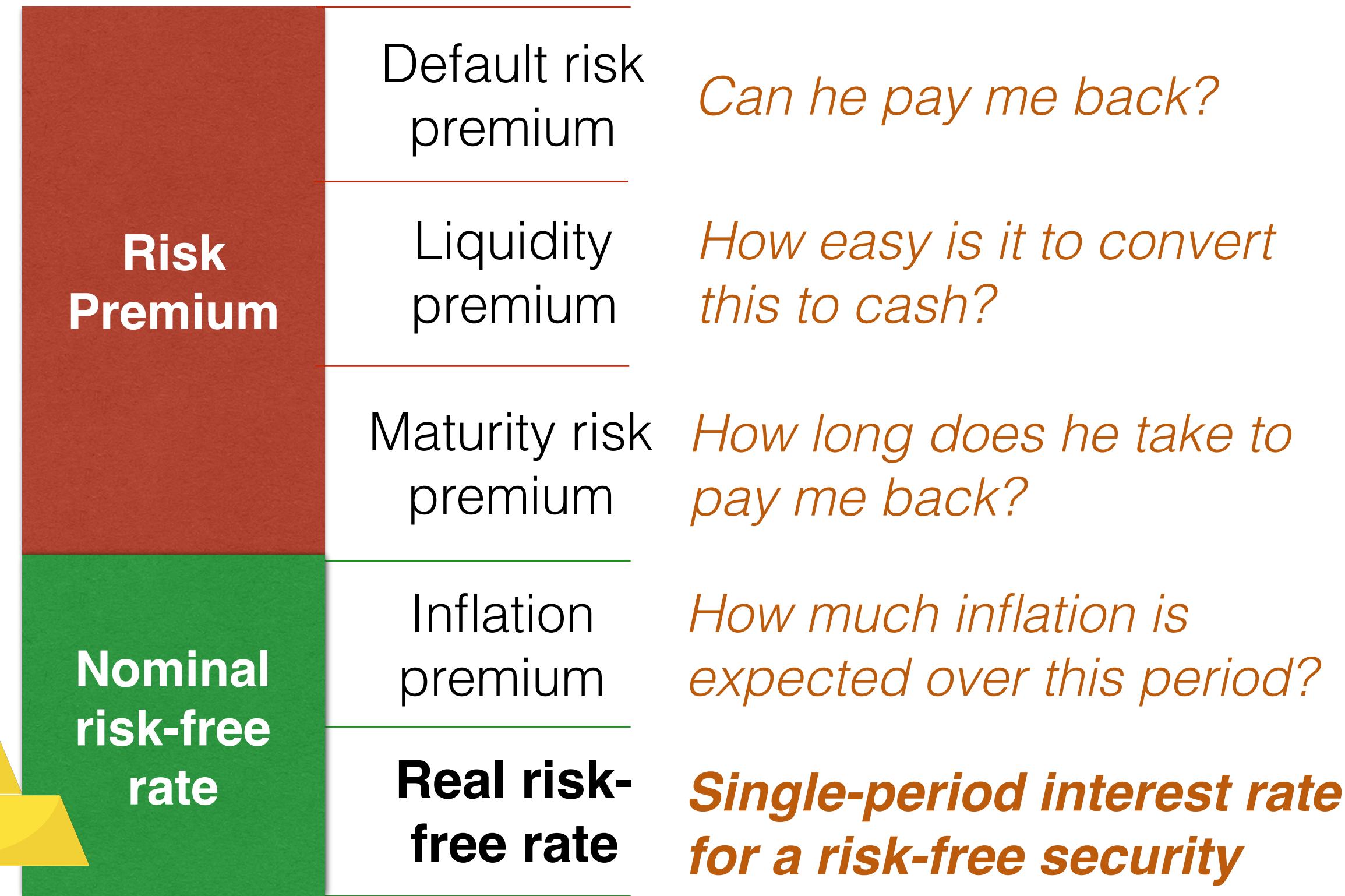
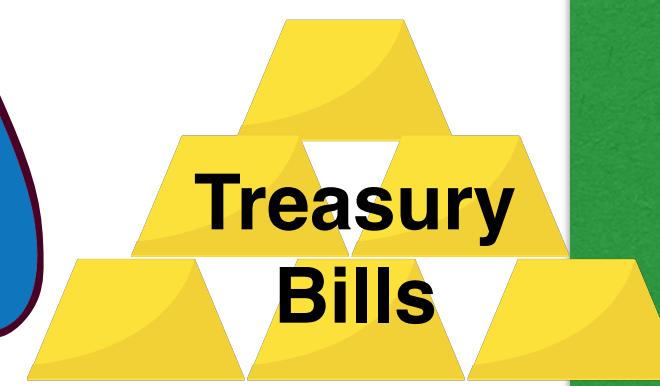
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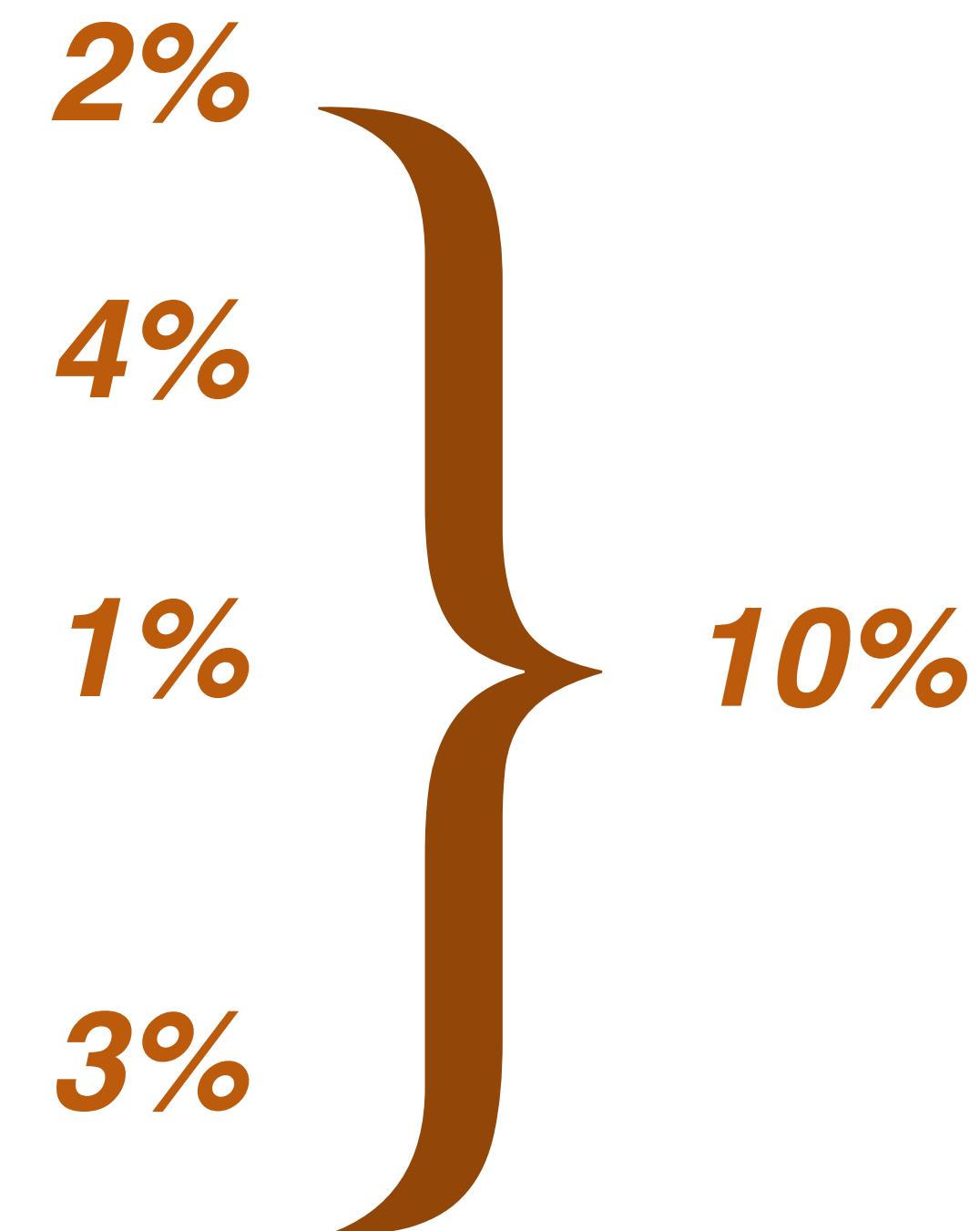
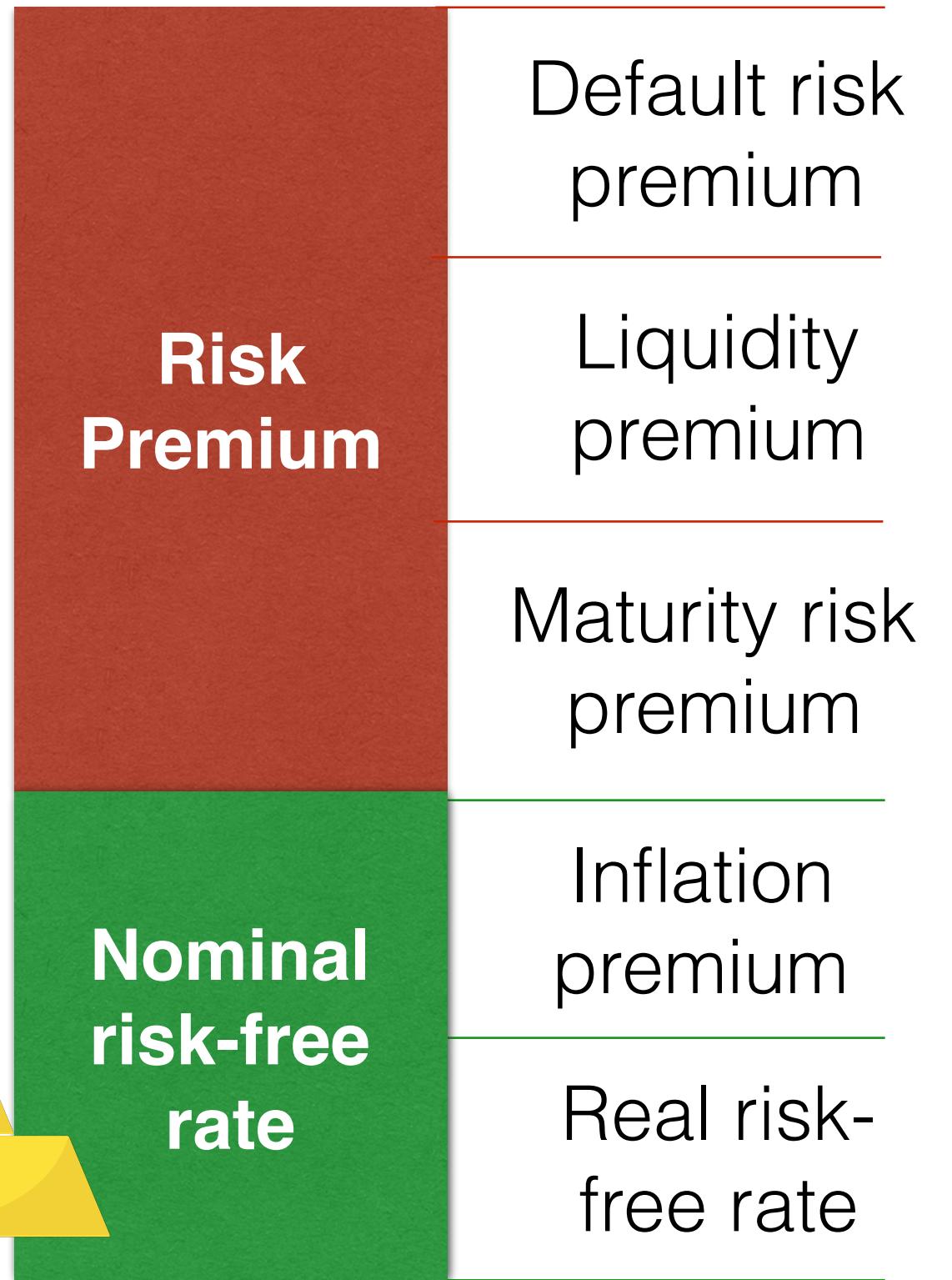
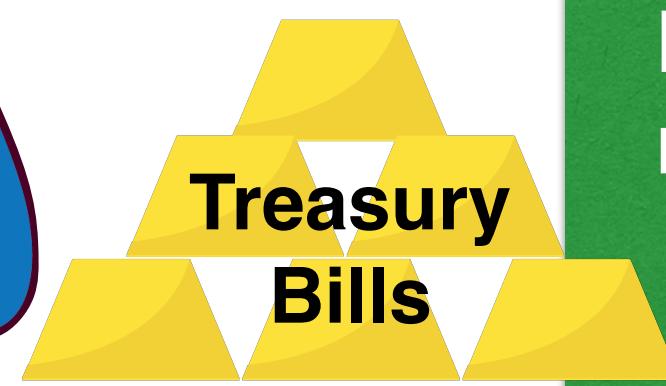
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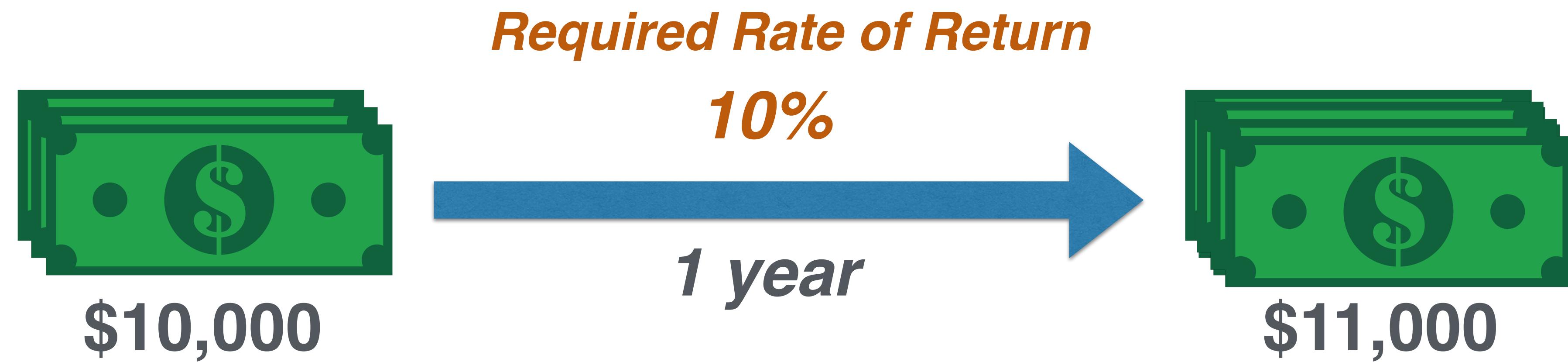
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*Opportunity Cost*

10%

1 year



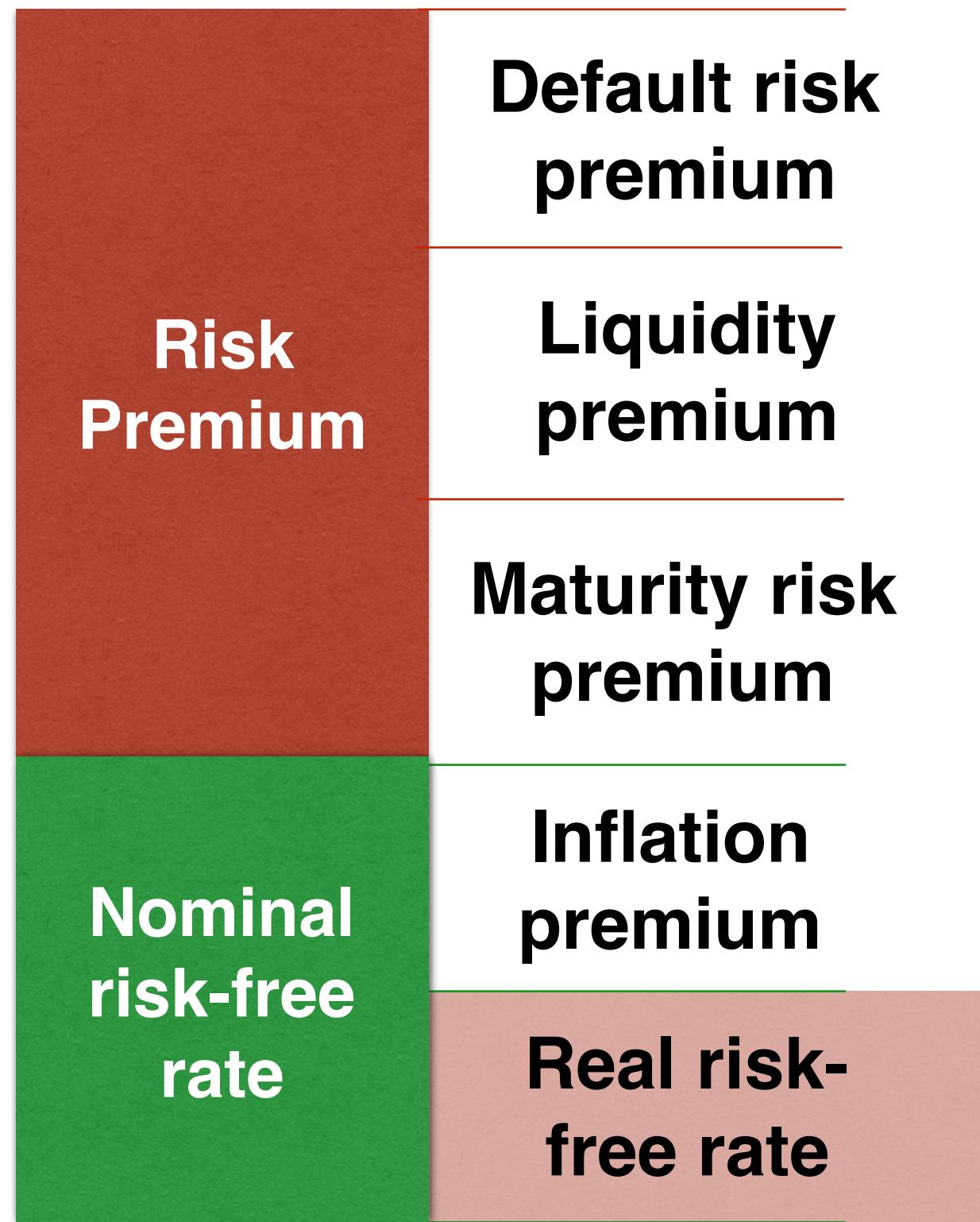
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## 2. Interpretations of IR





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