1. Calculate the present value of a perpetuity that is expected to pay ₹670 of interest every year, assuming an annual return of 7.2 percent.

PV = C/r = 670/.072 = 9305

1. Mahesh borrows ₹12,500 from Suresh and repays ₹21,364 exactly after three years. What is the rate of return earned by Suresh with annual compounding? What is the rate of return earned by Suresh with monthly compounding?

PV = FV/(1+ r)n

12500 = 21364/(1+r)n

(1+r)3 = 1.70912

1+r = 1.70912^(1/3) = 1.195614

R = .195614 = 19.56

Monthly calculation –

21364 = 12500 (1+r/12)^36

1+r/12 = 1.0149996777

R = .1799 = 18% approx.

1. This is an ordinary annuity

PV = C/r (1 – 1/(1+r)^n)

100000 = C/.08 (1 – 1/1.08^10)

C = 100000/6.71

= 14903

1. Year1 - $2000

PV = C/(r-g)

= 2000/(.13-.08)

= 2000/.05

= 40000

1. =PMT(0.06/12,30\*12,3000000)\*12 = 215838