

1 Extra Problems

Wednesday, January 13, 2021 5:23 PM

t	π
1	-10
2	5
3	10
4	5
5	3

$$r = 4\%$$

$$V_0 = -10/1.04 + 5/1.04^2 + 10/1.04^3 + 5/1.04^4 + 3/1.04^5 = 10.637$$

i	π_i	f_i
1	-10	.4
2	4	.4
3	50	.2

$$E(\pi) = (.4 \cdot -10) + (.4 \cdot 4) + (.2 \cdot 50) = 7.6$$

$$t=1$$

i	f	π
1	.4	-10
2	.6	10

$$t=2$$

i	f	π
1	.7	-10
2	.3	50

$$r = 4\%$$

$$EPV = \frac{(.4 \cdot -10)}{(1.04)} + \frac{(.6 \cdot 10)}{1.04} + \frac{(.7 \cdot -10)}{1.04^2} + \frac{(.3 \cdot 50)}{1.04^2} = -2.2189$$