BASIC PRINCIPLES OF FINANCIAL VALUATION DISCOUNTING

Examples and Applications: Capstone example

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USING COMPOUNDING AND DISCOUNTING TO MAKE DECISIONS

You have a choice between three options:

    1. Take $1,000 in cash now

    2. Receive $2,000 at the end of three years

    3. Wait 10 years to receive $3,000

Which is best choice if discount rate is 10%?

How does the answer change if r = 5%?

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