

## B-24.07

Below are four independent scenarios relating to a lump-sum amount to be received in the future. Calculate the present value of each, using the algebraic formula illustrated in the textbook. Then, verify your answer by reference to the "present value of \$1" table. If you have a "business" calculator, additionally verify your calculations using the present value functions included with your calculator.

- (a) A cash prize of \$1,000,000 to be received in 20 years, assuming a 10% annual interest rate, compounded annually.
- (b) An insurance payment of \$5,000 to be received in 24 months, assuming a 6% annual interest rate, compounded monthly.
- (c) A lease payment of \$15,000 to be made in 5 years, assuming an 8% annual interest rate, compounded quarterly.
- (d) A deferred compensation payment of \$25,000 to be made in 3 years, assuming a 12% annual interest rate, compounded semiannually.