1.1 Time value of money means that there is a certain worth in having money and the worth changes as a function of time.

1.4 Nearest, tastiest, quickest, classiest, most scenic, etc

1.7 Minimum attractive rate of return is the lowest rate of return (interest rate) that companies or individuals consider to be high enough to induce them to invest their money.

1.10 Rate of increase = \([29 - 22]/22\) * 100 = 31.8%

1.13 Profit = 8 million * 0.28 = $2,240,000

1.16 (a) Equivalent future amount = 10,000 + 10,000(0.08)
   = 10,000(1 + 0.08)
   = $10,800

   (b) Equivalent past amount: P + 0.08P = 10,000
   1.08P = 10,000
   P = $9259.26

1.19 80,000 + 80,000(i) = 100,000
     i = 25%

1.22 Simple: 1,000,000 = 500,000 + 500,000(i)(5)
     i = 20% per year simple

     Compound: 1,000,000 = 500,000(1 + i)^5
         (1 + i)^5 = 2.0000
         (1 + i) = (2.0000)^{0.2}
         i = 14.87%
1.25 Plan 1: Interest paid each year = 400,000(0.10)
   = $40,000

   Total paid = 40,000(3) + 400,000
   = $520,000

Plan 2: Total due after 3 years = 400,000(1 + 0.10)^3
   = $532,400

   Difference paid = 532,400 – 520,000
   = $12,400

1.28 (a) FV(i%,n,A,P) finds the future value, F
    (b) IRR(first_cell:last_cell) finds the compound interest rate, i
    (c) PMT(i%,n,P,F) finds the equal periodic payment, A
    (d) PV(i%,n,A,F) finds the present value, P.

1.31 For built-in Excel functions, a parameter that does not apply can be left blank when
    it is not an interior one. For example, if there is no F involved when using the PMT
    function to solve a particular problem, it can be left blank because it is an end
    function. When the function involved is an interior one (like P in the PMT
    function), a comma must be put in its position.

1.34 Highest to lowest rate of return is as follows: Credit card, bank loan to new
    business, corporate bond, government bond, interest on checking account

1.37 End of period convention means that the cash flows are assumed to have occurred
    at the end of the period in which they took place.

1.40 The cash flow diagram is:

   ![Cash Flow Diagram](image)

1.43 \( 4 = \frac{72}{i} \)
   \( i = 18\% \) per year

1.46 \( 2P = P + P(0.05)(n) \)
   \( n = 20 \)
   Answer is (d)

1.49 Answer is (c)