

TIME VALUE OF MONEY



DIRECTIONS: Select the most appropriate answer for each question.

1. Which would you rather have?

- a. \$100 today
- b. \$100 one year from today

2. If the interest rate is 5%, \$100 today is basically equal to _____ one year from now.

- a. \$95
- b. \$100
- c. \$105
- d. \$150

3. If you lent a friend \$50 two years ago and the interest rate is 2%, he or she now owes you approximately

- a. \$48
- b. \$100
- c. \$50
- d. \$52

4. Which of these is the most valuable, if the interest rate is 10%?

- a. \$800 today
- b. \$1000 three years from now
- c. \$2000 ten years from now
- d. \$3000 twenty years from now

