

## Key to 1:25 Quiz: 1/30/12

**Quiz:** Assume a rich relative has just promised to give you money once a year. The first payment will occur four months from today and your final payment will occur six years and four months from today. The first payment will equal \$1000 and the payments will grow by 2% each. If the interest rate is 5.5% per year, what amount of money today would be equivalent to this gift you have received? Note: you don't have to solve anything, just set up all of the equations and fill in all of the numbers that would be required to solve the problem.

$$PV_{-8mo} = \left( \frac{1000}{.055 - .02} \right) \left( 1 - \left( \frac{1.02}{1.055} \right)^7 \right)$$

Handwritten notes: +8, +3, +9, 30

$$FV_0 = PV_{-8mo} (1.055)^{8/12}$$

Handwritten notes: +8, +9, +3, 20

**WSJ1:** What did a bankruptcy judge approve for Lear Corp over the objections of the Justice Department?

- a. firing of employees in the U.S.
- b. reduction in medical benefits for Lear's retired employees
- C. \$20.6 million in bonuses for key executives and other employees**
- d. closing of factories in the U.S.
- e. issuance of shares of Lear stock to Lear bondholders in Iran

**WSJ2:** The Wall Street Journal reports that \_\_\_\_\_ could file papers for its initial public offering as early as this coming week, people familiar with the matter said, as anticipation mounts for what is likely to be one of the biggest debuts for a U.S. company.

- a. Bechtel
- B. Facebook**
- c. Mars
- d. Koch Industries
- e. Cargill

**WSJ3:** The Wall Street Journal reports that Richard D. Parsons, who as chairman of \_\_\_\_\_ helped steer the bank through its near-death experience in the financial crisis, is considering stepping down after three years in the post.

- A. Citigroup**
- b. J.P. Morgan Chase
- c. Bank of America
- d. Goldman Sachs
- e. Morgan Stanley