

key to

2:30 Quiz: 1/30/12

Name \_\_\_\_\_

**Quiz:** You have sold your old car to your brother. Your brother plans to make annual payments to you with the first payment coming seven months from today (after he has made money from a summer job) and the final payment coming seven years and seven months from today. The first payment will equal \$500 and the payments will grow by 1.5% each. If you invest all of the payments in a savings account that earns an annual interest of 4.5%, how much will you have in your account eight years from today? 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.

+8 (

$$FV_{7yr,7mo} = \left( \frac{500}{.045 - .015} \right) \left( (1.045)^8 - (1.015)^8 \right)$$

+3 +5 +5 +9

30

+8 (

$$FV_{8yr} = FV_{7yr,7mo} (1.045)^{5/12}$$

+3 +9

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