

13. Digital Access Inc. needs \$400,000 in funds for a project.
- a.* With a compensating balance requirement of 20 percent, how much will the firm need to borrow?
 - b.* Given your answer to part *a* and a stated interest rate of 9 percent on the *total* amount borrowed, what is the effective rate on the \$400,000 actually being used?

ments. What will be the effective rate of interest on this loan?

17. Your company plans to borrow \$13 million for 12 months, and your banker gives you a stated rate of 24 percent interest. You would like to know the effective rate of interest for the following types of loans. (Each of the following parts stands alone.)
- Effective rate under different terms
(LO8-2)
- a. Simple 24 percent interest with a 10 percent compensating balance.
 - b. Discounted interest.
 - c. An installment loan (12 payments).
 - d. Discounted interest with a 5 percent compensating balance.

give difference due to rounding.

2. What is the present value of:

Present value

a. \$7,900 in 10 years at 11 percent?

(LO9-3)

b. \$16,600 in 5 years at 9 percent?

c. \$26,000 in 14 years at 6 percent?

Present value

(LO9-2)

5 years you take the proceeds and invest them for 12 years at 15 percent. How much will you have after 17 years?

Present value
(LO9-3)

13. Mrs. Crawford will receive \$7,600 a year for the next 19 years from her trust. If a 14 percent interest rate is applied, what is the current value of the future payments?

... $\$175,000$... 50 years. His friends are very jealous of

40. Mark Ventura has just purchased an annuity to begin payment at the end of 2016 (that is the date of the first payment). Assume it is now the beginning of the year 2014. The annuity is for \$8,000 per year and is designed to last 10 years. If the interest rate for this problem calculation is 13 percent, what is the most he should have paid for the annuity?
- Deferred annuity
(LO9-3)*