

Name (print neatly): _____ Score: _____/20

Quiz 5: Thursday, February 19, 2015

To receive full credit, show all work necessary to justify answers and all steps of solutions and derivations clearly, in logical sequence, using notation developed in class. Partial credit will be given only for significant progress toward a solution.

1. (6 pts) Define each of the following.

(a) annuity

(b) annuity-immediate

2. (14 pts) Consider a 3-year annuity paying \$200 at the end of each year. Assume an effective rate of interest of 7% per annum.

(a) Sketch a time line, labeling the payments.

(b) Find the present value (at $t = 0$) of this annuity. *You may use any method/formula, as long as you show your reasoning clearly.*

(c) Find the accumulated value (at $t = 3$) of this annuity. *You may use any method/formula, as long as you show your reasoning clearly.*