

Section 5.1 Additional Problems

1. An investment pays \$2,000 at the end of year 1, \$3,000 at the end of year 3, and \$5,000 at the end of year 7.
 - a. How much would you pay for this investment to earn an effective annual internal rate of return of 3%?
 - b. If you paid the amount in a., what is the net present value using an effective annual interest rate of 5%?