

Daily Exercise Solution

Given information:

| Case | I_0 | I_1 | r |
|------|---------|---------|-----|
| A | 80,000 | 132,000 | 10% |
| B | 20,000 | 210,000 | 5% |
| C | 150,000 | 0 | 20% |

Definitions of PVI and FVI :

$$PVI = I_0 + \frac{I_1}{1 + r}$$

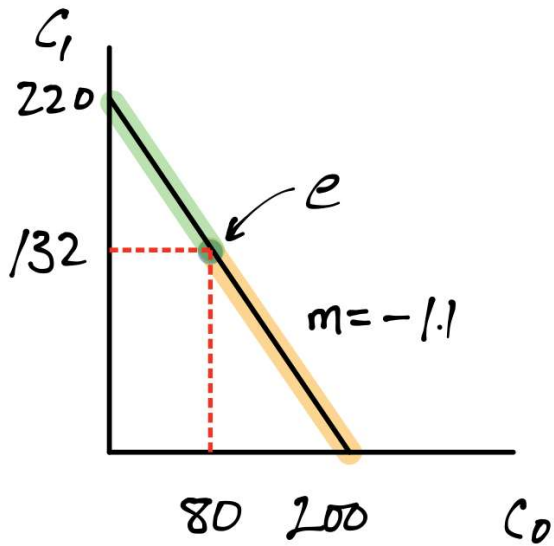
$$FVI = I_1 + I_0(1 + r)$$

Case A:

$$1+r = 1+0.1 = 1.1$$

$$PVI = 80,000 + 132,000/1.1 = 200,000$$

$$FVI = 132,000 + 80,000*1.1 = 220,000$$

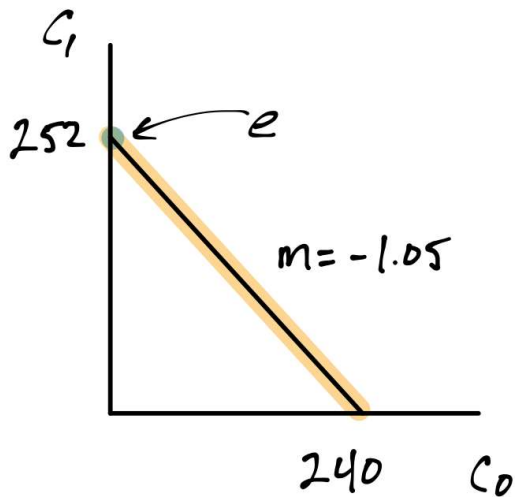


Case B:

$$1+r = 1+0.05 = 1.05$$

$$PVI = 0 + 252,000/1.05 = 240,000$$

$$FVI = 252,000 + 0*1.05 = 252,000$$



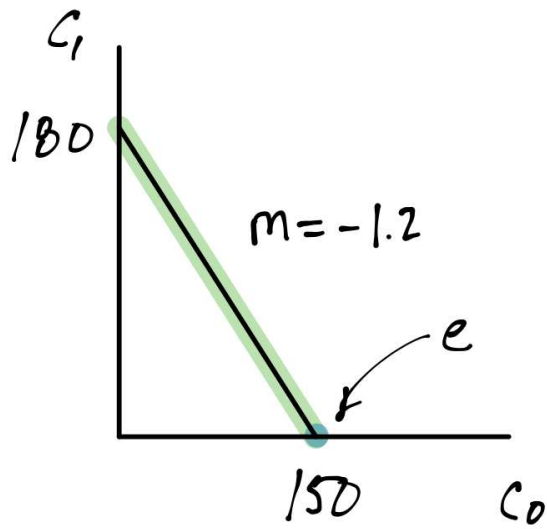
All but e require borrowing

Case C:

$$1+r = 1+0.2 = 1.2$$

$$PVI = 150,000 + 0/1.2 = 150,000$$

$$FVI = 0 + 150,000 * 1.2 = 180,000$$



All but e require saving