Daily Quiz:  Class 4

4-1. Adding interest earned on the reinvestment of previous interest payments to interest earned on your initial investment is called ______________.
   A  annual interest
   B  simple interest
   C  free interest
   D* compound interest

4-2. If I invest $1000 in a stock that earns 14% the first year and loses 11% the second year, after 2 years I will have _______________.
   A* $1,014.60
   B $1,030.00
   C $1,250.00
   D $1,265.40

4-3. As the length of time until I receive a given future cash flow decreases, with other things equal, the Present Value of this investment:
   A* Increases
   B Decreases
   C Stays the same
   D Unable to determine

4-4. A trust fund will pay you $5,000 on your 30th birthday, which is 8 years away. Assuming a discount rate of 5%, what is the present value of this payment?
   A $3,215.91
   B* $3,384.20
   C $3,893.32
   D $4,501.44

4-5. You want to buy a vacation home and currently have $7000 saved for a down payment. You have this invested in a term deposit that pays 6%. How may years will it take until this asset grows to $20,000?
   A about 5 years
   B about 11 years
   C about 15 years
   D* about 18 years

4-6. You purchased a Beanie Baby six years ago for $5.00, and which you sold yesterday on EBay for $12.50. What rate of return did you make on your investment?
   A  5.25%
   B  11.75%
   C  14.00%
   D* 16.50%