Module 3 Slido Quizzes

Time Value of Money

Correct answers are **bolded**.

1. The main reason money today is worth more than money tomorrow is:

   A. Inflation makes prices go up
   B. You could invest money today and earn interest
   C. Government policy
   D. People prefer saving to spending

2. If interest rates rise, the present value of future cash flows will:

   A. Increase
   B. Decrease
   C. Stay the same
   D. Only change if the cash flows change

3. In time-value-of-money problems, the variable r usually represents:

   A. The return you hope to earn
   B. The discount rate or opportunity cost of capital
   C. Inflation
   D. The total number of payments

4. Which of the following describes an annuity?

   A. A one-time payment today
   B. A stream of equal payments spaced evenly in time
   C. A payment that grows forever
   D. A loan that changes size each year

5. Which of the following describes a perpetuity?

   A. Equal payments for a fixed number of years
   B. A single future cash flow
   C. Equal payments that continue forever
   D. A payment that grows at a changing rate

6. If the discount rate is zero, the present value of $100 received in five years is:

   A. Less than $100
   B. More than $100
   C. Exactly $100
   D. Impossible to determine

7. Holding the quoted annual rate fixed, what happens to an investment's future value when interest is compounded more frequently?

   A. It increases
   B. It decreases
   C. It stays the same
   D. It depends on inflation

8. You deposit $1,000 for 10 years at 5%, compounded annually. In which part of the investment period do you earn more interest?

   A. In the first few years
   B. Evenly each year
   C. In the later years
   D. Only if rates fall