# Time value of money: Memorandum

**Question1:**

| | |
|---|---|
| FV | 100 000 |
| PV | (-20 000) |
| N | 4 |
| I/YR | 9 |
| PMT | = **R15 693, 49** |

**Question 2:**

This was a very interesting question which required you to think a bit broader than the knowledge gained from the textbook.

If money is in short in supply, interest rates will be high causing inflation to be low, on the contrary, if money is in plentiful supply , interest rates are low, causing inflation to be high.

This is the reason why higher interest rates tend to lead to lower inflation; and lower interest rates tend to lead to higher inflation.

**Question 3:**

Future value techniques measures cash flows at the end of a projects life.

Present value techniques measured cash flow at the start of a projects life (time zero).

Future value is cash you will receive at a given future date, and present value is just like cash in hand today.

**Question 4(a):**

False, the longer the period of time accompanied with a higher interest rate the smaller the present value will be.

**Question 4 (b):**

True, the higher the interest rate, the more interest income one will receive on one's investment, thus the higher the future value.