34. Your rich aunt has given you $236,740. Unfortunately, she thinks that you are not mature enough to receive the money today, so the $236,740 will be given to you in 10 years. Assume a 9% discount rate. What is the value today? That is, what is the present value of the $236,740 gift? $100,001.53

\[ FV = 236,740 \]
\[ I = 9 \]
\[ N = 10 \]
\[ PV = X \]

35. What is the present value of the $236,740 if the discount rate is 7%? $120,346

\[ FV = 236,740 \]
\[ I = 7 \]
\[ N = 10 \]
\[ PV = X \]

36. You owe (interest free mortgage) $50,000, due in 3 years, to a company from whom you bought a warehouse. You can pay off the mortgage now or invest the money at 7.75%. How much would you be willing to offer the company if you were to pay off the mortgage today? $39,968.53 is break even

\[ FV = 50,000 \]
\[ I = 7.75 \]
\[ N = 3 \]
\[ PV = X \]

37. Your property taxes have just increased by $1,100 per year (payable at the end of the year). You make it a point to have the present value of the property taxes for the next three years set aside in an account. The account returns 6% annually. How much should be added to the account to assure that the property taxes for the next three years are paid? $2,940.33

\[ PV = X \]
\[ Pmt = 1,100 \]
\[ N = 3 \]
\[ I = 6 \]

38. Company A owes Company B $1,000 to be paid in 4 years. The annual rate of interest is 6%, paid annually. Company B wants to sell these streams of cash flows (interest payments plus the principal) to you. You would like an annual return of 8 percent. How much would you be willing to pay company B for these cash flow stream? Just enough

Hint: Year 1-4 Cash Flow Stream = $60 +$60 +$60 +$1060
Solution: $933.76

\[ Pmt = 60 \]
\[ FV = 1,000 \]
\[ N = 4 \]
\[ I = 8 \]
\[ PV = X \]