Preface ix
About the Authors xii
Introduction xiii

PART ONE
The Basics of the Time Value of Money 1

CHAPTER 1
The Value of Compounding 3
Compounding 7
Calculator and Spreadsheet Solutions 11
Frequency of Compounding 14
Summary 20
"Try It" Solutions 21
Problems 22

CHAPTER 2
Don't Discount Discounting 23
Discounting 23
Discounting More Than One Future Value 31
Determining the Number of Compounding Periods 35
Summary 38
"Try It" Solutions 38
Problems 39

CHAPTER 3
Cash Happens 41
Valuing a Stream of Future Cash Flows 42
Valuing a Perpetuity 51
Annuities 54
## Contents

- Interest Rates 163
- Yield Curves 164
- Summary 169
- “Try It” Solutions 170
- Problems 171

### CHAPTER 8

**Taking Stock** 173
- What’s in a Value? The Basics of Stock Valuation 174
- Return on Stocks 187
- Summary 192
- “Try It” Solutions 193
- Problems 195

### CHAPTER 9

**A Capital Idea** 187
- The Net Present Value 198
- The Profitability Index 201
- The Internal Rate of Return 204
- Summary 214
- “Try It” Solutions 215
- Problems 216

### CHAPTER 10

**Finance Fact or Fiction?** 219
- Fact or Fiction: It Pays to Get an MBA 219
- Fact or Fiction: Leasing a Car Costs Less than Buying a Car 222
- Fact or Fiction: Gold Has Always Been a Good Investment 225
- Summary 230

### APPENDIX A

**Using Financial Calculators** 231
- Preparing the Calculator 232
- The Basics 235
- Financial Functions 237
- Tips 242
- Troubleshooting Problems 243

### APPENDIX B

**Using Spreadsheets in Financial Calculations** 247
- The Basics 247
- Time Value of Money Functions 248
CONTENTS

Cash Flow Functions 252
Other Useful Functions for Financial Mathematics 253

APPENDIX C
Formulas 255

APPENDIX D
Glossary 281

APPENDIX E
Solutions to End-of-Chapter Problems 285

Index 281