

Quiz 5 - Solution

1. The net present value of the returns is
$$NPV = P(i)$$
viewed as a function of the interest rate i .
The IRR is the value i_0 for which
$$P(i_0) = 0.$$

2. With "at par yield", $F = C = P$
and $i = r = g$

3.

$$NPV = 100 \left(\frac{1}{1.05} \right) + 200 \left(\frac{1}{1.06} \right)^2$$