3. Your father has offered to give you either $5000 today or $10,000 in 10 years. If the interest rate is 7% per year, which option is preferable.

PV = 10,000/1.07^{10} = 5, 083.49

So the 10,000 in 10 years is preferable because it is worth more.

4. Consider the following alternatives:
i. $100 received in one year
ii. $200 received in five years
iii. $300 received in ten years
a. Rank the alternatives from most valuable to least valuable if the interest rate is 10% per year.
b. What is your ranking if the interest rate is only 5% per year?
c. What is your ranking if the interest rate is 20% per year?

a. Option ii > Option iii > Option i
rate 10%

Amount	Years	PV
100	1	90.9090909
200	5	124.184265
300	10	115.662987

b. Option iii > Option ii > Option i
rate 5%

Amount	Years	PV
100	1	95.2380952
200	5	156.705523
300	10	184.173976

c. Option i > Option ii > Option iii
rate 20%

Amount	Years	PV
100	1	83.33333
200	5	80.37551
300	10	48.45167