The answer to the question is highlighted in red. Explanations are highlighted in green.

5. Michael just received a prize certificate for a contest he won. The prize is $120,000 cash. Michael does not need the cash, so he has decided to invest the prize money. If all investors have the opportunity to invest at a rate equal to 6 percent compounded quarterly, how much will Michael’s investment be worth in five years?
   a. $89,096.45
   b. $160,587.07
   c. $384,856.26
   d. $161,622.60
   e. None of the above is correct.

Numerical Solution:

\[
FV = \frac{120,000 \left(1 + \frac{0.06}{4}\right)^{5 \times 4}}{4} = \frac{120,000(1.015)^{20}}{4} = \frac{120,000(1.346855)}{4} = 161,622.60
\]

Financial Calculator Solution:

\[N = 20, \ I = 1.5, \ PV = 120,000, \ PMT = 0, \ FV = ? = 161,622.60\]

RETURN TO THE SAMPLE QUESTIONS