Using the present value tables in your textbook, or a financial calculator which you plan to use in the future exams, please compute the following:

NOTE: Use any piece of paper. You only need to write the question number followed by your answer. Be sure to show your computations.

1) Seller company sells a box of widgets to Buyer, Inc. Buyer, Inc. will pay $100,000 for the widgets in 3 years. Seller determines that the appropriate discount rate for computing the present value of the sale is 6% and that annual compounding is appropriate. What is the present value of the future payment from the buyer?

2) Would the answer to number one be different if the compounding period were monthly?

3) $1,000,000 of bonds are sold on January 1, 2005 when the fair value rate of those bonds (aka market rate) is 8%. The stated rate of the bonds is 6%, they pay interest at the end of the year (ordinary annuity), compound annually and mature in 5 years.
   a. What amount would the bonds sell for? Show your computation!
   b. Show the accounting entry required by the company selling the bonds
      i. the day that the bonds are issued (January 1, 2005)
      ii. and for the end of the first year (December 31, 2005)