**Video Title:** Time value of money

**Video URL:** <https://www.khanacademy.org/economics-finance-domain/core-finance/interest-tutorial/present-value/v/time-value-of-money>

**Running Time/Source: 8**:16, Khan Academy/YouTube

**Close Caption Available:** Yes

This video gives some examples using interest, future value, and present value calculations.  Students can learn time value of money concepts.  The discount rate used in the analyses is a critical variable.  In this video it is assumed that the interest rate (or discount rate) equals a risk-free 10 percent.  These concepts can be used to value (for example) an investment or a firm.

Questions:

1. What does $100 in a bank earning a 10 percent risk-free interest rate equal after one year?  Two years?
2. What is the present value of $121 two years in the future?
3. What is the present value of $65 one year in the future?
4. What is the future value of $59.09 in one year if it earns 10% interest rates in the bank?