**Video Title:** Present Value 4 and Discounted Cash Flow

**Video URL:** <https://www.youtube.com/watch?v=6WCfVjUTTEY#t=47>

**Running Time/Source:** 10:02, Khan Academy/YouTube

**Close Caption Available:** Yes

This video gives some examples using interest, future value, and present value calculations. Students can learn discounted cash flow concepts. These concepts can be used to value (for example) a firm. The discount rate used in the analyses is a critical variable. Are the cash flows riskless or risky? This difference can affect the discount rate – either a riskless or risky discount rate.

Questions:

1. Do interest rates vary for 1 year versus 2 year deposits at a bank?
2. How is a riskless discount rate different from a risky discount rate?
3. How do you calculate the future value of cash that you have now?
4. How do you calculate the present value of future cash you will have later?
5. To discount $110 one year from now using a 5 percent discount rate to get the present value, the discount factor in the denominator is what exactly?
6. Are interest rates at a bank normally quoted on a daily, monthly, or annual basis?