

Present Value of an Ordinary Annuity

(Crossword Puzzle)

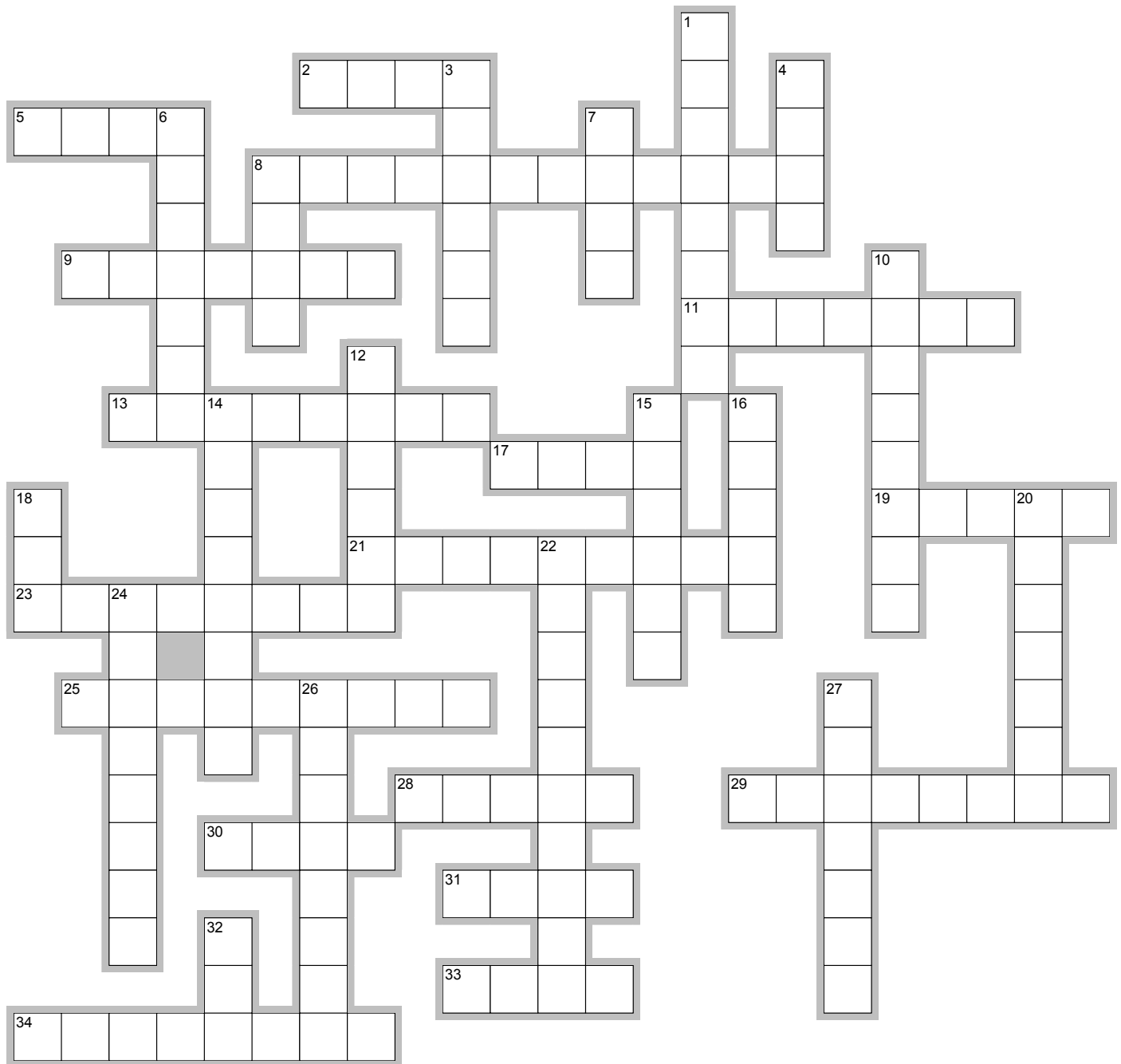


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Crossword Puzzle (Present Value of an Ordinary Annuity)



ACROSS (Present Value of an Ordinary Annuity)

2. A one-year annuity consists of four quarterly payments and interest at two percent per quarter. To solve for the amount of each payment by using a present value table, you should select the factor for i = two percent and n = _____ periods.
5. A _____ line can assist in visualizing the known and unknown components of an ordinary annuity.
8. An _____ schedule lists the interest and principal components of each payment and shows the remaining balance.
9. The rate used for calculating the _____ value might be an interest rate, a firm's cost of capital, or a desired rate of return.
11. The discount on a note receivable needs to be amortized to Interest _____ over the life of the note.
13. When you increase the rate used for discounting the payments in an ordinary annuity, the present value of the annuity will _____.
17. The present value of an ordinary annuity discounted by 10% will be _____ (more, less) than the same annuity discounted by 12%.
19. The payments in an annuity occur at _____ time intervals.
21. When the discount on a note is significant, it should be amortized by the _____ interest rate method.
23. The interest removed from payments to arrive at the present value is referred to as _____.
25. A loan payment generally contains two parts: an interest payment and a _____ payment.
28. The factors listed in a present value _____ are usually rounded amounts arranged in columns according to interest rates.
29. When you decrease the rate used for discounting the payments in an ordinary annuity, the present value of the annuity will _____.

ACROSS (Present Value of an Ordinary Annuity)

- 30. If an annuity has semiannual payments, the rate (i) selected from the PVOA Table would be one- _____ of the annual rate.
- 31. If you know the present value of a promissory note, the amount of the recurring payment, and the number of payments, you are able to calculate the interest _____.
- 33. The present value is the amount at time period _____.
- 34. An annuity consists of a series or stream of equal _____ (also known as amounts or rents) occurring at equal time intervals.

Down (Present Value of an Ordinary Annuity)

1. Automobile loan payments are an example of an _____ annuity.
3. The rate used to discount the payments in an ordinary annuity might be an interest rate, the firm's cost of capital, or a company's desired or target rate of _____.
4. A financial security that consists of a lump sum at maturity and an ordinary annuity of interest every six months is a _____.
6. The discount on a note payable needs to be amortized to Interest _____ over the life of the note.
7. Present value calculations involve _____ amounts rather than accrual accounting amounts.
8. When ANCO Company discounts a note receivable from ACER Company, the note should be discounted by ANCO by using the borrowing rate of _____ (ANCO, ACER) Company.
10. Present value calculations remove the _____ or discount from the stream of annuity payments.
12. If neither the cash amount of a transaction nor the fair _____ value of a transaction is known, the transaction should be recorded at its present value.
14. _____ interest is referred to as interest on interest.
15. The length of each _____ or time interval in an ordinary annuity could be one year, one month, three months, etc.
16. Present value calculations allow us to recognize the time value of _____.
18. Ordinary annuities have the payment amounts occurring at the _____ of each time period.
20. Ordinary annuities are also referred to as annuities in _____.
22. A financial _____ will provide a more precise calculation of the present value of an ordinary annuity than the use of present value tables.
24. When the discount on a note is not significant, it can be amortized by the _____-line method.

Down (Present Value of an Ordinary Annuity)

26. Interest that is not explicit in an ordinary annuity is assumed to be _____ and is assumed to be included in the annuity payments.
27. Present value _____ are contained in a present value of an ordinary annuity table and are used to calculate an unknown amount.
32. A three-year annuity with a stated interest rate of twelve percent per year consists of 36 monthly payments. If a present value factor is used to discount the 36 monthly payments, the factor would be found in the column labeled _____ percent.

Solutions (Present Value of an Ordinary Annuity)

