Question

Last year Rocco Corporation's sales were $700 million. If sales grow at 6% per year, how large (in millions) will they be 5 years later?

Solution

$$FV = PV \left(1 + \frac{r}{m}\right)^{tm}$$

FV – future value to be paid after t years

PV – present value

r – annual rate per year, expressed in decimal

m - number of compounding periods per year

t – time in years

PV = 700

r = 6/100 = 0.06

m = 1

t = 5

$$FV = 700 \left(1 + \frac{0.06}{1}\right)^{1*5}$$

FV = 936,76 million dollars

Answer

They will be 936,76 million dollars in 5 years.