**Solution 1.58**

The compound interest rate per year that amounts of $1000 one year ago and $1345.60 one year hence are equivalent to is closest to:

(*a*) 8.5% per year

(*b*) 10.8% per year

(*c*) 20.2% per year

(*d* ) None of the above

*Solution:*

Move both cash flows to year 0 and solve for i

1000(1 + i) = 1345.60/(1 + i)

(1 + i)2 = 1345.60/1000

(1 + i) = 1.16

i = 16%

Answer is (d)