

CASE 12 QUESTIONS**GULF SHORES SURGERY CENTERS****Time Value Analysis**

1. Which bank should Gary choose for a saving account, which bank for a certificate of deposit, and which bank for a term loan?
2. Gary will invest the donations from a wealthy investor in CDs. How much will the Center have accumulated on the day of the last donation? (Use the CD interest rate offered by the bank you selected for a CD in question 1.)
3. If the Center takes out a 5-year term loan that would be repaid in equal annual installments, how much will it owe to BankSouth if Gary decides to pay off the loan early, at the end of the third year? (Use the term loan interest rate offered by the bank you selected for a term loan in question 1.)
4. If the Center takes out a 7-year term loan that would be repaid in different annual installments (with the first payment due at the end of year one), how much would the fixed annual installment be at the end of each year from Year 4 through Year 7? (Use the term loan interest rate offered by the bank you selected for a term loan in question 1.)
5. Gary will invest the contributions to the board-designated building fund in CDs. How much will the equal annual contributions in years 5, 6, and 7 have to be to ensure the Center will have sufficient funds to pay for projected facility renovations? (Use the CD interest rate offered by the bank you selected for a CD in question 1.) (Hint: Use a time line to lay out the year 0-4 and 8-11 annual cash flows and then use Goal Seek in Excel to solve for the year 5-7 cash flows.)
6. In your opinion, what are three key learning points from this case?