

**Answer on Question #39693 – Math – Calculus**

A firm has an estimated pension liability of Rs. 1.5 million due 27 years from today. If the firm can invest in a risk-free security with an interest rate of 8 percent, how much must the firm invest today to be able to make the Rs. 1.5 million payment?

**Solution:**

$$\frac{1500000}{27} \approx 55555,6 - \text{the pension liability each year.}$$

To be able to make the Rs. 1.5 million payment due 27 years, a firm must invest today a risk-free security with an interest rate of 8 percent  $\frac{55555,6}{0,08} = 694445$  (Rs.)

**Answer:** 694445 Rs.