Present Value

Present Value: . The current worth of a sum of money

$$PV = A\left(\frac{1}{1 + \frac{r}{n}}\right)^{-nt}$$

PV = Present Value (what the money is currently worth

A = Amount of money , or future value of the money needed

r = The interest rate per year (decimal form)

n = number of times that the interest is compunded per year

t = the number of years the money is invested or borrowed

$A = 5000$

$r = 0.12$

$n = 12$

$t = 3$

① $PV = A\left(1 + \frac{r}{n}\right)^{-nt}$

$PV = 5000\left(1 + \frac{0.12}{12}\right)^{-(12)(3)}$

$PV = 5000(1.01)^{-36}$

$PV = 5000(0.6989)$

$PV = \$3494.50$

$A = 5000$

$r = 0.065$

$n =$ ____

$t = 4$

★For #5, n is the only part of the formula that changes