

Present Value

Oct 21/16

The current value of your money

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

A = Amount or Future Value

r = interest rate

n = the number of times the interest is compounded annually

t = the number of years

$$1) PV = A \left(1 + \frac{r}{n}\right)^{-nt} - (12)(3)$$

$$A = 5000$$

$$r = 0.12$$

$$n = 12$$

$$t = 3$$

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

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

$$PV = \$ 3494.62$$

2)

$$A = 4000$$

$$r = 0.12$$

$$n = 4$$

$$t = 2$$

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

$$PV = 4000 \left(1 + \frac{0.12}{4}\right)^{-(4)(2)}$$

$$PV = 4000 (1.03)^{-8}$$

$$PV = 4000 \times 1.03^{-8}$$

$$PV = 1.03^{-8} \times 4000$$

$$PV = \$3,157.64$$

Math with

Ms. Saint

$$3) \quad PV = A \left(1 + \frac{r}{n}\right)^{-nt}$$

$$A = 10,000$$

$$r = 0.045$$

$$n = 12$$

$$t = 2.5$$

July 3-16th

January 3-18th

1 year → July 3-16
 1 year → July 3-17
 6 months → July 3-18
 1 year → July 3-18
 1 year → July 3-19
 6 months → July 3-18
 January-18

Homework  Present
Value

3 and 4

5 choose 3 from

a) b) c) d) & e)