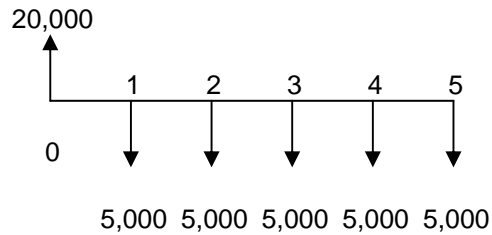


Present Value of a Car Loan
Notes on Solution

Amount of loan 20,000
Annual payments 5,000 per year for 5 years, paid at the end of the year
Interest rate 7%



yr	pmt	pv	
0	20,000	20,000	<-- each value is $B/(1+i)^T$
1	-5,000	-4,673	
2	-5,000	-4,367	
3	-5,000	-4,081	
4	-5,000	-3,814	
5	-5,000	-3,565	
Total PV		-501	<-- sum of above