

* **COMPARE TABLES B1 & B3** PRESENT VALUE - ORDINARY ANNUITY

PV TODAY	IS EQUAL TO FUTURE PMTS OF	FUTURE PAYMENTS			TOTAL
		END OF YEAR 1	END OF YEAR 2	END OF YEAR 3	
60,000	8.90 3 ANNUAL PMTS OF PRINCIPAL INTEREST	23,282	23,282	23,282	69,846

* **CALCULATING PV USING TABLE B3 FACTORS** = $\frac{\text{PERIODIC PMT}}{\text{PV FACTOR OF ANNUITY TABLE \# B3}}$

$60,000 = 23,282 \times 2.5771$

YOU ARE INDIFFERENT TO GETTING 60,000 TODAY VS GETTING 3 PMTS OF 23,282 OVER 3 YEARS (ASBESTOS OTHER FINANCIAL)

WE CAN MANIPULATE FORMULA FOR UNKNOWN'S:

- WHAT IS THE YEARLY PAYMENT (END OF YEAR) NEEDED TO PAY OFF A 60,000 LOAN AT 8.9%?

$$\frac{60,000}{2.5771 \text{ TABLE B3}} = 23,282$$

(we solved for the PMT)

* **COMPARE; CALCULATING PV USING TABLE B-1 FACTORS (EACH PMT DONE INDIVIDUALLY)**

21,557	←	23,282 × .9259
19,960	←	23,282 × .8573
18,483 (Rounded)	←	23,282 × .7938
<u>60,000</u>		