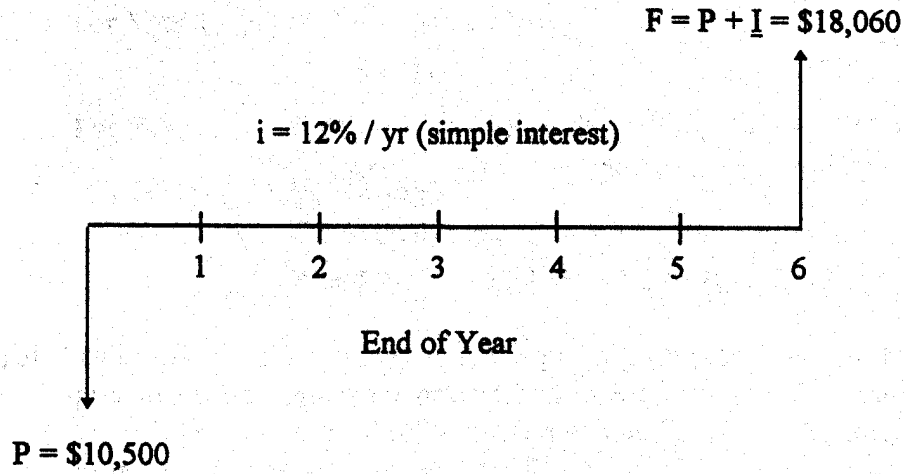


3-2



$$F = \$10,500 + \$10,500 (0.12) (6) = \$10,500 + \$7,560 = \underline{\$18,060}$$

3-4

Year	Amount Owed at Beginning of Year	Interest Accrued for Year	Total Amount Owed at End of Year	Principal Payment	Total End of Year Payment
1	\$2,000	\$ 200	\$2,200	\$ 0	\$ 200
2	2,000	200	2,200	0	200
3	2,000	200	2,200	0	200
4	2,000	200	2,200	1,000	1,200
5	1,000	100	1,100	0	100
6	1,000	100	1,100	0	100
7	1,000	100	1,100	0	100
8	1,000	100	1,100	1,000	1,100

Total Interest = \$ 1,200

\$200 in interest is payable each year for the first four years. \$100 in interest is payable each year for the second four years. The total interest paid over the eight year period is \$1,200.

3-8 Alt. A: $P_0 = -\$18,000 - (\$32,000 + \$2,400)(P/A, 10\%, 8) + \$2,000(P/F, 10\%, 8)$
 $= -\$18,000 - (\$32,000 + \$2,400)(5.3349) + \$2,000(0.4665)$
 $= -\$200,588$

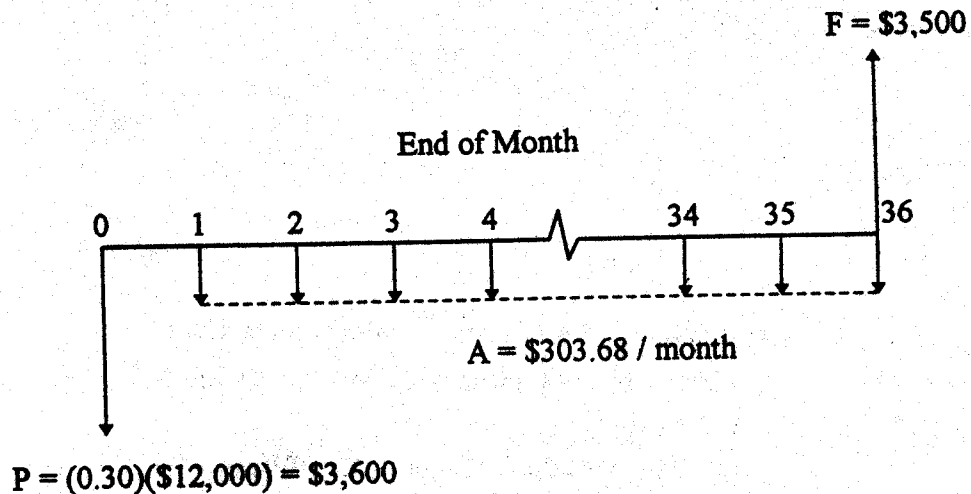
Alt. B: $P_0 = -\$60,000 - (\$9,000 + \$16,000)(P/A, 10\%, 8)$
 $- \$9,400(P/F, 10\%, 4) + \$8,000(P/F, 10\%, 8)$
 $= -\$60,000 - (\$9,000 + \$16,000)(5.3349)$
 $- \$9,400(0.6830) + \$8,000(0.4665)$
 $= -\$196,061$

Alternative B should be selected to minimize the present equivalent value of cost.

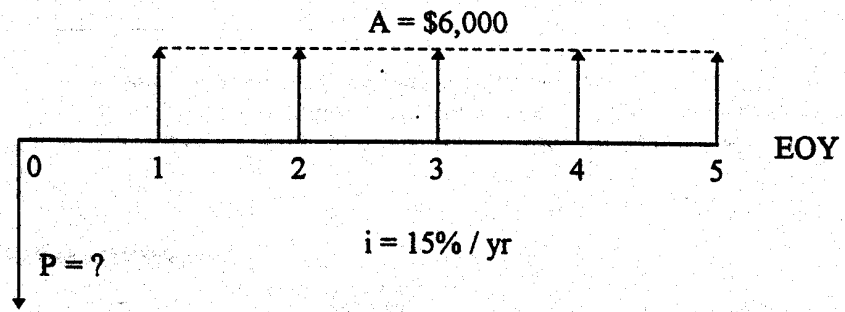
3-10 $F = \$1,500(F/P, 12\%, 6) = \$1,500(1.9738) = \$2,961$

3-14 $\$35,000 = \$100,000(P/F, i\%, 8), \therefore (P/F, i\%, 8) = 0.35 = (1+i)^{-8}$
 $i = (0.35)^{-1/8} - 1 = 0.14, \text{ or } i = \underline{14.0\%}$

3-16 Mrs. Green's Point of View:



3-18



$$P = \$6,000 (P/A, 15\%, 5) = \$6,000 (3.3522) = \underline{\$20,113}$$

The company can justify spending up to \$20,113 for this piece of equipment.