

More Time Value of Money

Physics and Mathematics of Sustainable Energy

College of the Atlantic, October 21, 2022

1. You are considering an investment that will pay you \$2000 for the next three years. Assume a discount rate of 3%.
 - (a) In one year you will receive a payment of \$2000. What is the present value of this payment?
 - (b) In two years you will receive another payment of \$2000. What is the present value of this payment?
 - (c) In three years you will receive yet another payment of \$2000. What is the present value of this payment?
 - (d) What is the total present value of all three of these payments?
2. Repeat problem 1 using a discount rate of 5%.
3. Repeat problem 1 using a discount rate of 7%.

Year	$r = 0.03$	$r = 0.05$	$r = 0.07$
1			
2			
3			
TOTAL			

4. How much would you pay for this investment?