

Solution 1.41

Fill in the missing values (A through D) for a loan of \$10,000 if the interest rate is compounded at 10% per year.

End of Year	Interest for Year	Amount Owed After Interest	End of Year Payment	Amount Owed After Payment
0	—	—	—	10,000
1	1000	11,000	2000	9,000
2	900	9,900	2000	A
3	B	C	2000	D

Solution:

Follow plan 4, Example 1.16 as a model

$$A \text{ is } 9900 - 2000 = \$7900$$

$$B \text{ is } 7900(0.10) = \$790$$

$$C \text{ is } 7900 + 790 = \$8690$$

$$D \text{ is } 8690 - 2000 = \$6690$$