EXAMPLE 3-3 _____

What is the present worth on January 1, 1987, of $1,263 on January 1, 1994, if interest is at 6%? (Figure 3-2c.)

Solution:

$i = 0.06$; $n = 7$; $F = \$1,263$; $P = ?$

Now zero time is assumed to be January 1, 1987.

$$P = F(P/F, 6\%, 7) = \$1,263(0.6651)$$
$$= \$840$$