Answer on Question #50991, Economics, Finance

The Smith Construction Company borrows the entire cost of a new dump truck. The loan has an annual interest rate of 12 percent and calls for monthly payments of $ 1,000 over a five year period. What is the cost of truck.

We calculate the present value of annuities ($1,000):

$$PV\ = \frac{\$1,000}{0.12} * \left[1 - \frac{1}{(1+{}^{0.12}/_{12})^{5*12}}\right] = \$3746.253$$

That's why the cost of truck is $\$3746.253$