Time value of Money versus Rent Decision
Harvard Case Solution & Analysis

RM 100,000

1. Invest by buying a dream house.
2. Questions Mark (save and sponsor his education fees)
3. Buy a car.

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Learning Objective :
- Explain why a dollar today is worth more than a dollar in the future.
- Define the terms future value and present value
- Calculate the future value and present value of a single amount and annuity.

3 ANNUITIES

EXAMPLE:

Types of Payments:-
1. Single amount
2. Annuity.

Concepts:-
1. Present Value
2. Future Value

Methods
- Simple Interest
- Compound Interest
- Ordinary Annuity
- Annuity Due

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The simple method
an amount to be received or grow...
future at some assumed interest...
amount of money is invested tod...

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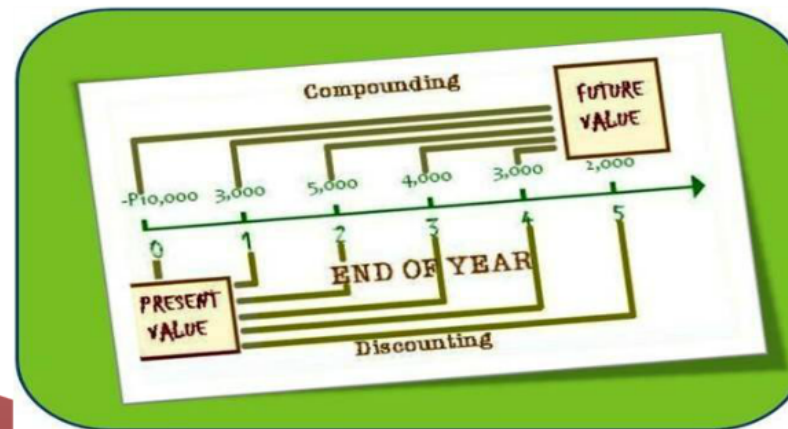
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FUTURE VALUE

Future Value= the worth in the future of an amount invested today or the worth in the future of a series of payment made over time.

Formula =

$$FV = PV \times (1 + i)^n$$

@

$$FV = PV \times FVF_{i,n}$$

2

PRESENT VALUE

Present Value : The worth today of a future payment or the worth today of a series of payments made over time.

Taking future values back to the present is also called 'discounting'.

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i - interest rate
n- year

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