

Ex 2.4) A machine is expected to generate \$600/year for 9 years. How much should you pay for the machine? Also, what is the max price you would pay for the machine? Assume a MARR of 16%.

$$P = A(P/A, i, n) = \frac{600}{0.16} \left(1 - \frac{1}{1.16^9}\right)$$
$$= \frac{600}{0.16} \left(1 - \frac{1}{1.16^9}\right)$$
$$= \$2,763.93$$

or, use table

$$(P/A, 16\%, 9) = 4.6065 \quad (P. 600)$$

$$\Rightarrow P = 600 \times 4.6065 = \$2,763.90$$