Present and Future Values -- Part 2, Workpaper

Example -- Annuity (annual compounding)
Invest $1,000 at the end of each year for 3 years at 8% annual interest rate, compounded annually.

Interest Period	Beginning Balance	Interest		Additional Deposit	Ending Balance

Use a factor *to put interest into* a series of deposits.

Present or Future Value table	Single deposit or Series of deposits	Number of interest periods	Interest rate per interest period	Factor	Deposit amount	Future Value of deposits

Use a factor *to knock interest out of* a series of deposits.

Present or Future Value table	Single deposit or Series of deposits	Number of interest periods	Interest rate per interest period	Factor	Deposit amount	Present Value of deposits

Prove that only difference between the present and future values of the annuity is interest.

Year	Beginning Principal	Interest at End of Year		Ending Principal