

Discounting and Net Present Value

Time

Present Value

i = interest rate

$$FV = (1+i)PV \Rightarrow 1(1+.1) = 1.10$$

$$FV_2 = (1+i)(1+i)PV$$

$$V_t = (1+i)^t V_0 \quad V_0 = V_t / (1+i)^t$$