

Solution:

The present value of the lease payments is given by:

$$\begin{aligned} \text{Present value} &= \$40,000 \left(\frac{1}{1.16} + \frac{1}{1.16^2} + \cdots + \frac{1}{1.16^9} \right) = \frac{\$40,000}{0.16} \left(1 - \frac{1}{1.16^9} \right) \\ &= \$184,261.755 \end{aligned}$$