

New Car Example 1 (Cash Flow Diagrams)



Al just purchased a new car for \$18,500. He paid \$5000 at the time of purchase and financed the rest at \$500 per month for 36 months. Gas and maintenance costs are expected to be \$2000 during the first year and rise by \$250 per year after that. After 5 years, he expects to sell the car for \$7000. Draw the cash flow diagram assuming yearly interest.