Question 37 - Kaplan

YR 1	$100,000
YR 2	$60,000
YR 3	$ 0

p9 19/20 Kaplan

Steps -

A) Compute 2nd YR Recapture 1ST. <- always

$$R_2 = P_2 - (P_3 + 15,000)$$

$$= 60,000 - (0 + 15,000)$$

$$= 45,000$$

B) Compute 1ST YR Recapture NEXT

$$R_1 = P_1 - \left[\frac{P_2 - R_2 + P_3}{2} + 5,000\right]$$

$$R_1 = 100,000 - \left[\frac{60,000 - 45,000 + 0}{2} + 15,000\right]$$

$$= 100,000 - \left[15,000/2 + 15,000\right]$$

$$= 100,000 - [7500 + 15,000]$$

$$= 77,500$$

LAST STEP

C) $K_3 = R_1 + R_2$

Recapture in YEAR 3

$= \$77,500 + \$45,000$

$= \$122,500$