A) Prepare the two loan amortization schedules based on the terms below. The first amortization schedule should reflect equal annual payments.

The second amortization schedule should reflect equal annual ***principal***payments.

Loan Terms:

* Loan Amount: $600,000
* Interest Rate: 6%
* Term: 5 years with annual payments

B) Answer the following questions based on the amortization schedules prepared in Part 1.

1. In the amortization schedule with equal principal payments, what was the annual payment in year 4?
2. In the amortization schedule with equal payments, what is the balance of the loan at the end of year 2?
3. In what year(s) is the interest payment is the same under both the amortization schedule with equal payments and the amortization schedule with equal principal payments?
4. In the amortization schedule with equal payments, how much more (less) interest was paid compared to the amortization schedule with equal principal payments?