

**22** Eric buys a car for £19950

Every year the car loses 5% of the value it had at the start of the year.

Eric works out the value of his car 4 years after he bought it.

Here is Eric's working.

$$\begin{aligned}4 \times 5\% &= 20\% \\0.2 \times 19950 &= 3990 \\19950 - 3990 &= 15960\end{aligned}$$

Eric's method is wrong.

(a) Explain why.

(1)

(b) Work out the difference between Eric's answer of £15960 and the real value of the car 4 years after he bought it.

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(4)