FN1140 – Introduction to Finance

Chapter 9(10thed)

Compound Interest

Weeks 6&7- Paul Tilley

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| **Introduction** | Compund interest is applied when interest is earned on top of interest from previous periods. |  |
| **Calculating Compound Interest** |  |  |
| **Future Value Formula for Compound Interst** | FV = PV (1+i)n |  |
| **Calculate the Periodic rate of interest** | Periodic rate of interest (i) = Annual Rate of interest (j) / Number of compounding prds in a yr (m) |  |
| **Determining number of compounding Perios in a Loan** |  |  |
| **Compound Factors** |  |  |
| **Future Value of a compound amount** |  |  |
| **Present Value of a compound discount** | PV = FV / (1 + i)n |  |
| **Discounting notes** |  |  |
| **Equivilent Values** |  |  |