FN1140 – Introduction to Finance

Chapters 7 & 8(10thed)

Interest

Weeks 4&5- Paul Tilley

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| **Introduction** |  |  |
| **Interest** | Principal  Rate of interest  Interest Period (Time)  Simple Interest  Using Excel  Given the appropriate data  Find: Amount of interest, Principal, Interest Rate, Time, | Interest is the price paid for borrowed money (rent)  Interest is based on three factors:  Factor 1 – the amount of money borrowed ($)  Factor 2 – the rate of interest (%)  Factor 3 – the time period (years)  Interest = Principal \* Rate \* Time (I=PRT)  Complete Exercises in MyMathLabs |
| **Time Value of Money** | Future Value  Present Value  Maturity Value  Focal Date  Equivilent Values  Dated Value  Equivilent Single Payment  Two or more equivilent Payments |  |
| **Loan Applications** | Promissary Note  Treasury Bills  Demand Loan  Line of Credit  Credit Cards  Loan Repayment Schedules |  |
| **Calculating Interest** | I = P R T  S=P+I  S=P(1 + rt)  P=S/(1+rt) |  |
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