Practice worksheet | Financial mathematics

Compound interest

Name: _____ Date: _____

6 questions | 15 marks

1. Find the total of 1000 dollars after 2 years at 4% annual compound interest. [2 marks]

2. Find the interest in that model. [2 marks]

3. Find the one-year balance of 4000 dollars at nominal 8% annually compounded quarterly. Round to cents. [3 marks]

4. Give the rate and exponent for nominal 12% annually compounded monthly over 18 months. [2 marks]

5. An annual-compounding model grows 2500 dollars to 3025 dollars in 2 years. Find its rate. [3 marks]

6. Why is 5% nominal annual interest compounded monthly different from 5% effective annually? [3 marks]