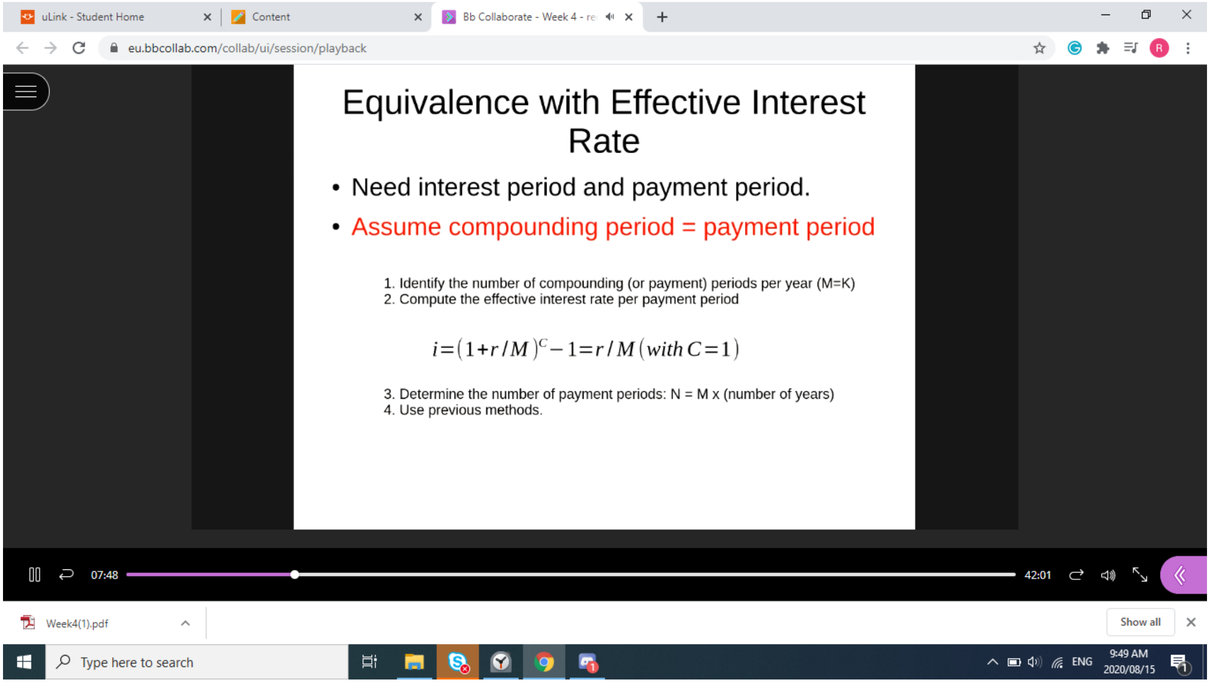
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Content
Bb Collaborate - Week 4
eu.bbcollab.com/collab/ui/session/playback
Equivalence with Effective Interest Rate
• Need interest period and payment period.
• Assume compounding period = payment period
1. Identify the number of compounding (or payment) periods per year (M=K)
2. Compute the effective interest rate per payment period
$i = (1 + r/M)^C - 1 = r/M \; (with\; C = 1)$
3. Determine the number of payment periods: N = M x (number of years)
4. Use previous methods.
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Week4(1).pdf
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