MODULE 20 : Vocab & Key Terms

Financial Exponents

Exponents
Exponents are a mathematical notation indicating the power to which a number, known as the base, is raised. It represents how many times the base is multiplied by itself.

Compound Interest
Compound interest refers to the calculation of interest on both the initial principal and the accumulated interest from previous periods. Unlike simple interest, which is calculated only on the principal amount, compound interest allows the interest amount to grow at a faster rate since it is calculated on the increasing total amount each period.

Square Roots
The square root of a number is a value that, when multiplied by itself, gives the original number. In finance, square roots are used in various calculations, such as in the assessment of investment risk or in the computation of the standard deviation, which is a measure of volatility or dispersion in a set of data.

Scientific Notation
Scientific notation is a method of expressing numbers that are too large or too small to be conveniently written in full decimal form. It represents numbers as a base of ten raised to an exponent. This notation is particularly useful in finance for handling very large numbers, such as national debts or GDP, or very small numbers, such as interest rates or financial ratios.

Exponential Functions
An exponential function is a mathematical function in which a constant base is raised to a variable exponent. In finance, exponential functions are used to model growth or decay over time, such as in calculating compound interest