

## ASSIGNMENT - 6

Explain the CAGR.

CAGR stands for Compound Annual Growth rate. It is a financial metric that measure the rate of return or growth of an investment, business or metric over a specific period of time usually, year. CAGR take into account the compounding effect of growth the from one period to the next.

$$CAGR = (End\ value / Beginning\ value)^{1/n} \times 100$$

year - 1

where:

- \* End value is the final value of the investment or metric.
- \* Beginning value is the initial value of the investment or metric.
- \* Number of year in the time period over which the growth is measured.

For example:

If a company's revenues grow from \$100,000 to 150,000 over 3 years the CAGR would be

$$CAGR = \left( \$150,000 / \$100,000 \right)^{1/3} - 1$$

$$= 14.5\%$$

Plum

$$\left( \frac{\text{End value}}{\text{Initial value}} \right)^{1/n} - 1$$