

# Assignment 16

## DEXPW CAGR with Examples

CAGR -> Compound Annual Growth Rate

CAGR stand for. Compound Annual Growth Rate. It is a way to measure how an investment or business has grown over a specific period of time. It takes into account the effect of compounding which means that the growth builds upon itself.

Formula

$$CAGR = \left( \frac{FV}{PV} \right)^{\frac{1}{n}}$$

\* The Ending Balance is the value of investment at the end of the period

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\* NIS the number of years you

have invested

Examples:

$$PV = 10,000$$

$$FV = 15,000$$

$$\text{years} = 5$$

$$CAGR = \left( \frac{FV}{PV} \right)^{\frac{1}{\text{years}}} - 1$$

$$= (1.5)^{\frac{1}{5}} - 1$$
$$= 0.08447 \text{ or } 8.45\%$$

CAGR calculator need

\* The CAGR calculator is a simple online tool that gives you the annual rate at which your investment has grown

\* All you need to do is provide certain input data of the investment and it will give you the result

Use of CAGR

- = Performance Comparison
- = Long-term Planning
- = Risk Assessment
- = Performance Evaluation