

1) Explain CAGR with Examples

CAGR \rightarrow compound Annual Growth Rate.

CAGR stands 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

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

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

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* n is the number of years you have invested.

Example:

$$PV = 10,000$$

$$FV = 15,000$$

$$\text{years} = 5$$

$$CAGR = (15,000 / 10,000)^{\frac{1}{5}} - 1$$

$$= (1.5)^{\frac{1}{5}} - 1$$

$$= 0.08447 \text{ or } 8.45\%$$

CAGR Calculator need.

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