Assignment - 6

CAGR with Example:

CAGR → Compound Annual Growth rate.

CAGR Stand for Compound Annual Growth rate It is a way to Measure how an investment or business has grow over a specific period of time.

Formula.

$$CAGR = \left(\frac{Fv}{Pv}\right)^{1/n} - 1.$$

→ The ending balance is the Value of investment at the end of the investment period.

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Ex:

Pv = 10,000   Year = 5.
Fu = 15,000

$$CAGR = (15,000 / 10000)^{(1/5)} - 1$$
$$= (1.5)^{(1/5)} - 1$$
$$= 0.08447 \quad or \quad 8.45\%.$$

use of CAGR.

→ Performance Comparision

→ Long term planning.

→ Risk assessment

→ Performance Evaluation.