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1.4 Financial applications

Checklist

What you should know

By the end of this subtopic you should be able to:

- identify questions about compound interest

- use $FV = PV \times \left(1 + \dfrac{r}{100k}\right)^{kn}$ for compound interest questions

- use $k = 1$ for interest compounded annually, $k = 2$ for interest compounded half-yearly, $k = 4$ for quarterly compounding, and $k = 12$ for monthly compounding

- use the finance application on your calculator to solve compound interest questions, particularly the ones where you are asked to find n

- use $FV = PV \times \left(1 + \dfrac{r}{100k}\right)^{kn}$ for annual depreciation questions with $k = 1$ and a negative value for r

- give your solution to an appropriate level of accuracy as stated in the question.

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