

## 1 Using the ICONV Function

- 1) C/Y = 4  
NOM, I/Y = 3.75%  
EFF =
  
- 2) C/Y = 2  
NOM, I/Y =  
EFF = 21%
  
- 3) Compute the per annum rate compounded semi-annual when the effective rate of interest is 5.6%.
  
- 4) Consider the interest rate 3.2% p.a. compounded every three months. What is an equivalent yearly rate?
  
- 5) Suppose Kieran deposits a sum of money into a bank account with a nominal interest rate of 1.7% p.a. compounded monthly. What is an equivalent effective rate for his bank account?
  
- 6) Ravi is considering loaning \$500 to a friend and earning an interest at an effective annual rate of 5.1%. His friend does not anticipate taking longer than a year to pay him back, so Ravi wants an equivalent rate compounded biweekly; what is that nominal rate?
  
- 7) Sam deposits a paycheck every two weeks into a bank account earning 2.5% p.a. compounded annually. What is an equivalent biweekly rate?

### Definitions:

**NOM** Nominal: an interest rate measured per annum (p.a.) often stated with a compounding period (ex. 1% p.a. compounded daily).

**EFF** Effective: an interest rate measured per annum and *always* compounded yearly (ex. 3% annually).

**C/Y** Compounding Periods per Year: a number representing how often an interest rate is compounded.

### EXAMPLE: SOLVE FOR EFF

Calculate the effective rate of 4% p.a. compounded quarterly.

#### Step 1

To enter **NOM** as 4 and **C/Y** as 4

**2ND** **ICONV** **2** **4** **ENTER** **↓** **↓** **4** **ENTER**

#### Step 2

To compute **EFF**

**↑** **CPT**

### EXAMPLE: FIND AN EQUIVALENT NOM

Find an equivalent NOM rate compounded daily to 4% p.a. compounded quarterly (use the EFF rate from the previous example).

#### Step 1

**2ND** **ICONV** **2** To enter **C/Y** as 365  
**↓** **↓** **365** **ENTER**

#### Step 2

To compute **NOM**

**↑** **↑** **CPT**

## Answers/Solutions

1) 3.803%

2) 20%

3) 5.52%

4) 3.24%

5) 1.7133%

6) 4.9789%

7) 2.47%