## 1 Using the ICONV Function

- 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?

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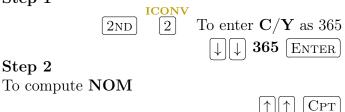
### **Definitions:**

- 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: 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



1



# Answers/Solutions

1) 3.803%	5) 1.7133%
2) 20%	

- 3) 5.52%
- 4) 3.24%

- 6) 4.9789%
- 7) 2.47%

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