

Example 4.3

• Let r=0.1. Find the value of \$100 after 1 year with periodic compounding and m=1, 2, 4, 12, 52, 365.

• How long does it take to double a capital attracting interest at 6% daily?

• What is r if a deposit subject to annual compounding is doubled after 10 years?

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Example 4.3 (continued)

 How long will it take to earn \$1 if r=0.1 (a.c.) and V(0)=1 cent?

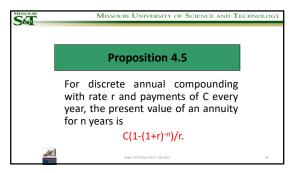
 Pay \$1000 every year after 1, 2, and 3 years. What is the present value of this payment stream? Use annual compounding at 25%.

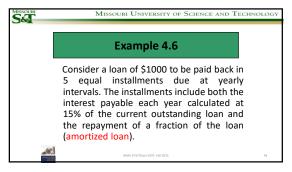
Definition 4.4

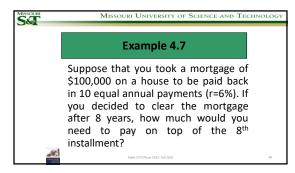
An annuity is a sequence of finitely many payments of a fixed amount due at equal time intervals.

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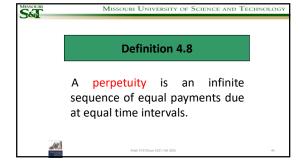
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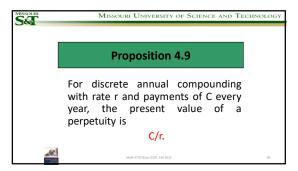


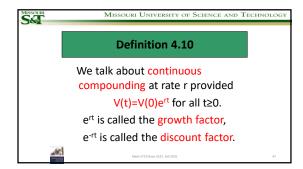




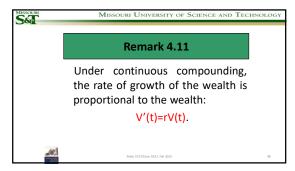
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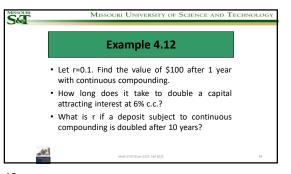


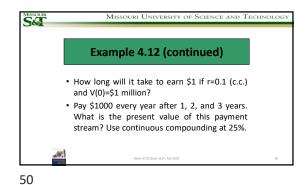


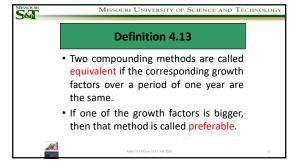


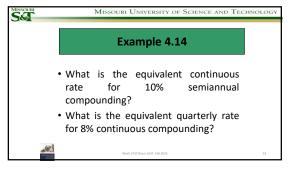
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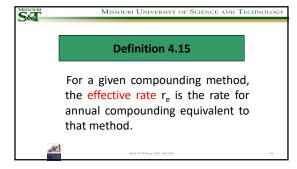




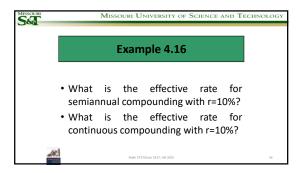


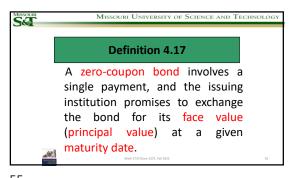


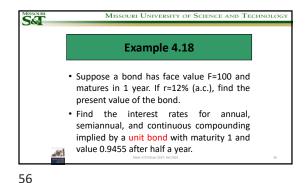




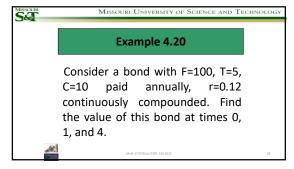
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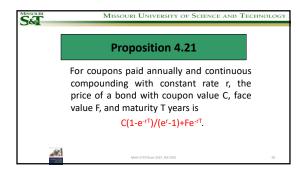




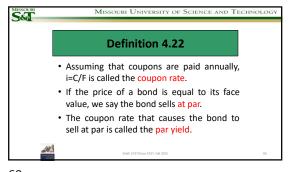


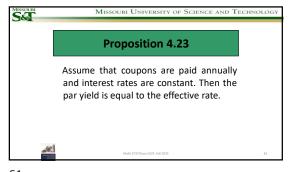


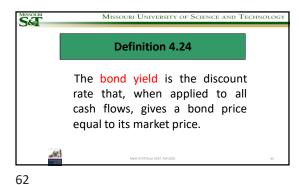


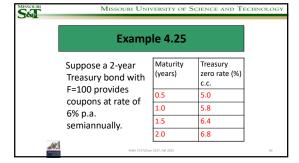


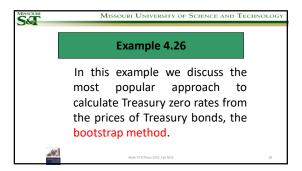
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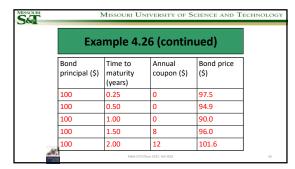




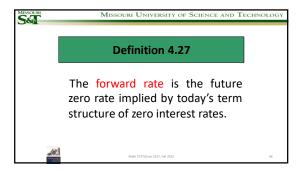


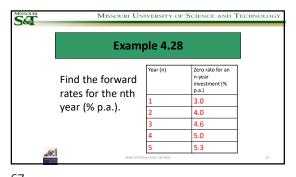


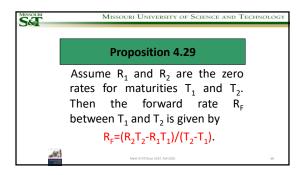




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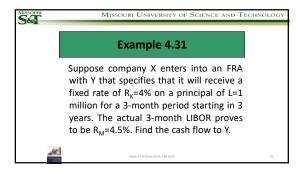


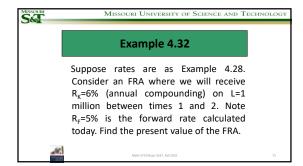




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