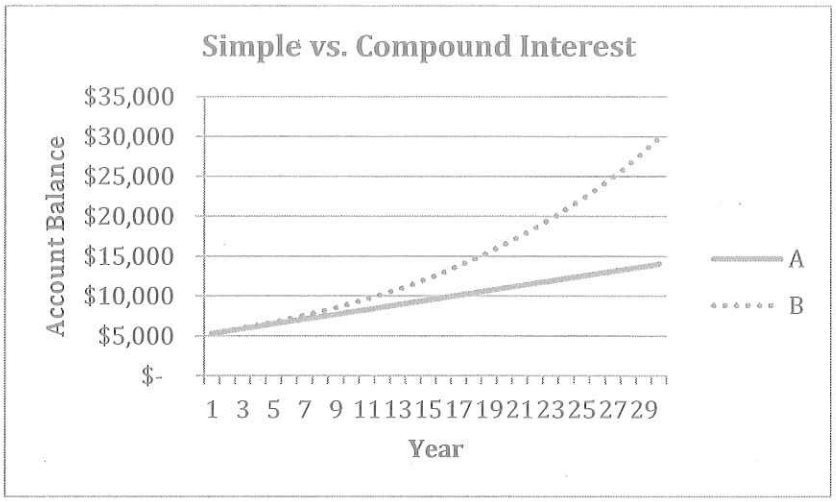
Write the letter of the graph that matches the type of interest.

1. Simple Interest A (Linear)

2. Compound Interest B (Exponential)




3. Write the letters in order from the type of compounding that would give the lowest amount to the type that would give the highest amount (assuming the same interest rate).

E, A, D, C, B

A. Quarterly 4 B. Continuously ∞ C. Daily 365 D. Monthly 12 E. Annually 1

Write the letter of the formula that you would use to solve the problem. Complete the calculation using a spreadsheet.

**Financial Formulas**

A. =P + P*rate*years

B. =FV(rate, nper, pmt, [pv], [type])

C. =PV(rate, nper, pmt, [fv], [type])

D. =P*exp(rate*years)

E. =effect(nominal rate, periods per year)

B 4. You deposit $10,000 into an account that earns 5% interest, compounded quarterly, for 20 years.

=FV(.05/4, 20*4, 0, 10000)
=$27,014.85

A 5. You loan a friend $1,000 for 2 years at 3% simple interest.

= 1000 + 1000*.03*2
= $1,060

E 6. You want to compare an account that earns 5.4% interest compounded daily with an account that earns 6.2% compounded quarterly.

=effect(.054, 365)
= .05548 ≈ 5.5%

= effect(.062, 4)
= .06346 ≈ 6.3%

D 7. You deposit $7,000 into an account that earns 8% interest compounded continuously for 10 years.

= 7000 * exp(.08 * 10)
= $15,578.79