

Problem 7-1

Goal: Future value of single deposit

Given:

Initial Principal	\$10,000	P
Nominal interest	0.06	i_{nominal}
Compounded semi-annual	2	m
Length	10	n, years

The equation: $F = P (1 + i/m)^{mn}$ eqn. 7-3 revised to include 7-6

Approach: Determine interest rate per period
Use compound interest equation to determine future sum value

Calculations: $\$18,061.11 = 10,000 * (1 + 0.06/2)^{(2*10)}$

Answer

\$18,061.11

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