

Lesson: Nominal and Effective Interest Rates

Objectives:

1. Describe the difference between Nominal and Effective Interest Rates.
2. Describe Annual Percentage Rate (APR) and Annual Percent Yield (APY).
3. Calculate effective annual interest rates or effective interest rates for any period.
4. Use nominal interest rates to calculate equivalences.
5. Recognize the impact if payment period are less than or greater than the compounding period.
6. Calculate effective interest rates for continuous compounding.

Assignment:

1. Study pages 124-151.

Homework:

4.3, 4.7, 4.17, 4.25, 4.28, 4.34, 4.44, 4.52