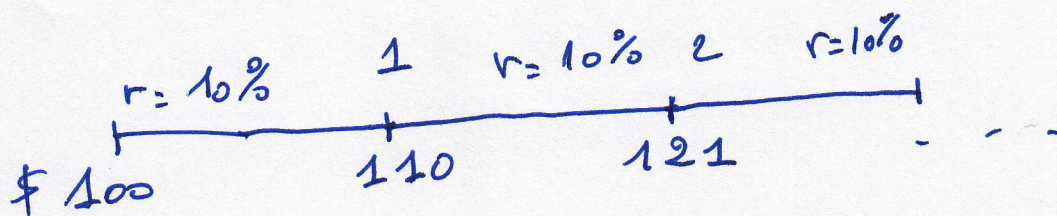


2) Compound interest



$$r = 10\%$$

Suppose now that an amount P is deposited in a bank and assume that the interest earned will be added to the ^{principal} periodically (annually - monthly - quarterly - semi-annually)

In this situation, will be attracted not just by the original deposit but also by all interest earned so far. We say that we have a periodic compound interest