

Interest Conversion Menu (ICONV)



The Interest Conversion menu allows you to convert between nominal and effective interest rates using either: Periodic compounding or Continuous compounding.

The equations used to perform the calculations are:

(Periodic) $\%EFF = 100 \cdot [(1 + \%NOM \div NP \div 100)^{NP} - 1]$

(Continuous) $\%EFF = 100 \cdot (e^{\%NOM/100} - 1)$





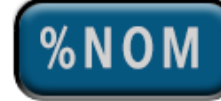



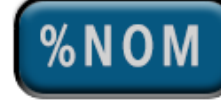

ICNV Menu	
 	Selects Periodic or Continuous interest Compounding.
	Stores the number of compounding periods per year in the "Periodic" interest conversion mode.
	Stores or calculates the Nominal interest rate.
	Stores or calculates the Effective interest rate.

If any other key is pressed before one of the Blue keys, the displayed number is stored in the corresponding variable. Otherwise, the variable will be calculated.

Example: Saving Accounts Comparison

You have offers to open a saving account from three banks: Bank #1 offers a 6.70% annual interest compounded quarterly. Bank #2 offers a 6.65% annual interest compounded monthly and Bank #3 offers 6.65% annual interest compounded continuously. What is the best?.

Solution: Follow the next sequence:

Keystrokes	Description
	Sets the Periodic mode for Bank #1 & #2.
6.7 	Stores the nominal interest of Bank #1. %NOM = 6.70
4 	Stores the number of periods per year of Bank #1. P = 4
	Calculates Bank #1 effective rate. %EFF = 6.87
6.65 	Stores the nominal interest of Bank #2. %NOM = 6.65
12 	Store the number of periods per year of Bank #2. P = 12.
	Calculates Bank #2 effective rate. %EFF = 6.86
	Set the Continuous mode for Bank # 3.
6.65 	Store the nominal interest of Bank #3. %NOM = 6.65
	Calculates Bank #3 effective rate. %EFF = 6.88

Answer: Bank #3 is offering the most favorable interest rate of 6.88%.