Definition of Terms

Compounding Interest – An interest resulting from the periodic addition of simple interest to the principal.

Conversion Period (m) – The number of times in a year the interest will be compounded.

Total Number of Conversion Period (n) – given by \( n = mt \) where \( t \) is the number of years.

Periodic Rate (i) – The number of times in a year the interest will be compounded.