r = 0.05 n = 7 A= $(1 + 0.05)^7 \times 400$ = £ 562.84

- If the interest is not paid annually, (or is paid more than once a year), we proportion it over the year. For example,

If the interest rate is 6% **per year** and is compounded quarterly, n = 4 (because there are 4 compounding periods), and the rate of interest will be 6% divided by 4 = 0.015

Sample question:



- The formula for compound interest can be used where a value is increasing by a certain % over a certain period of time (for example calculating how much Gross National Product will grow in 5 years given the rate of growth and current value).
- Use logs to solve reverse questions with exponentials and indices.