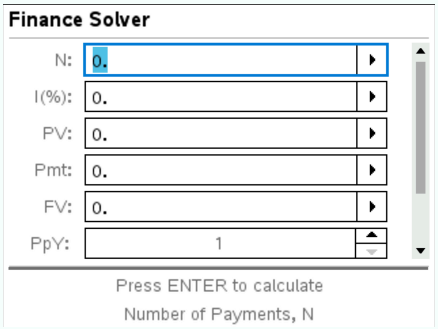
1.4 Compound interests

The very useful **Finance Solver** can be used for various compound interest problems. We will first present you the solver, and then do an example.

1.4.1 Presentation of Finance Solver

To access it, press menu, select Finance > Finance Solver:



N is the total **N**umber of compounding periods (years × compounding periods per year).

I(%) is the **I**nterest rate (in percentage, so entering 5 means "5%").

PV is the **P**resent **V**alue (the value at the start of the loan).

PmT is the **P**ay**M**en**T** at each period.

FV is the **F**inal **V**alue (the value at the end).

PpY is the **P**ayments per **Y**ear.

CpY is the **C**ompounding periods per **Y**ear.

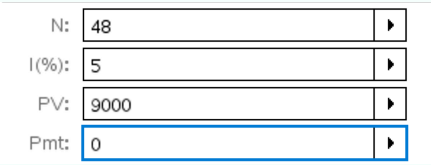
PmTAt is to set **P**ay**m**en**T**s due **A**t the beginning or the end of each period.

Enter cash inflows as positive numbers and cash outflows as negative numbers

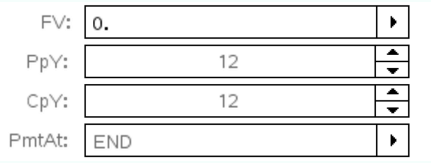
1.4.2 Example of computation

You have found a car you would like to buy. You can afford payments of 250$ at the end of each month for four years. The car costs 9,000$. Your bank offers an interest rate of 5%, compounded monthly. What will your payments be? Can you afford it?

① Press menu, select Finance > Finance Solver, and fill the app the following way:

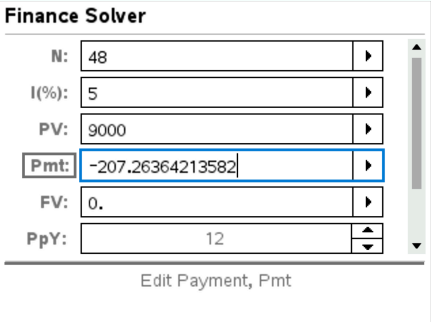


PV is positive because the car counts as cash inflow



FV is zero because we want to pay for the whole cost of the car at the end

② Select the value that you want to know (here: **PmT**), and press enter. The following should be displayed:



The Pmt: rectangle indicates the value solved

Thus, you **can** afford the car since you would have to pay more or less 207.25$ (it is displayed as a negative number since it is an outflow of cash) per month, which is less than 250$!