

## **COMPOUND INTEREST**

### **SYNOPSIS:**

- ❁ If the interest is calculated annually, the interest is added to the principal and the principal changes after every year.
- ❁ If the interest is compounded half yearly, the interest is added to the principal and the principal changes after every six months and so on.
- ❁ The S.I. and C.I for the first units of time are always equal.
- ❁ The time period is generally taken in years but this is not necessary.
- ❁ The interest can be compounded yearly, half-yearly, quarterly or even monthly.
- ❁ The compound interest may also be obtained by adding together the interests of consecutive years.
- ❁ For the period of two years, if the interest is added every year, then the difference between the compound interest and simple interest is equal to the interest of the first year.