



Topic	Definition	Formula	Example
1. Simple interest	Interest calculated on the original principal only.	$I = P \times R \times T$	$P = \$1000, R = 5\%, T = 3 \text{ years}$ $I = 1000 \times 0.05 \times 3 = \150
2. Compound interest	Interest calculated on the principal and the interest earned.	$A = P(1 + \frac{R}{n})^{nt}$	$P = \$1000, R = 5\%, n = 12, t = 3 \text{ years}$ $A = 1000(1 + \frac{0.05}{12})^{36} = \1161.62
3. Present value	The current value of a future sum of money.	$PV = \frac{FV}{(1 + \frac{R}{n})^{nt}}$	$FV = \$1000, R = 5\%, n = 12, t = 3 \text{ years}$ $PV = \frac{1000}{(1 + \frac{0.05}{12})^{36}} = \783.51
4. Future value	The value of an investment at a future date.	$FV = P(1 + \frac{R}{n})^{nt}$	$P = \$1000, R = 5\%, n = 12, t = 3 \text{ years}$ $FV = 1000(1 + \frac{0.05}{12})^{36} = \1161.62

Jacob D. Smith (State of Michigan) hereby certifies that the information contained in this form is a true and accurate account of the property and the value of the same as of the date of the filing of this form.

