

# COMPOUND INTEREST FORMULA

It is a basic concept in finance that is equally important for people. Compound interest is calculated on the principal amount. This interest rate accumulated over the previous period. It's a significant concept in banking, investing, and so on. You will learn about the formulas for compound interest, their significance, and so on.

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**Q1: What is the formula for quarterly compound interest?**

A:  $A = P(1 + r)^t$

B:  $A = P(1 + r/4)^{4t}$

C:  $A = P(1 - r)^t$

D:  $A = P(1 - r/4)^{4t}$

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**Q2: If the interest rate is 6% annually, what is the quarterly interest rate for compounding purposes?**

A: 0.5%

B: 1.5%

C: 6%

D: 24%

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**Q3: What factor determines the frequency of compounding in compound interest calculations?**

A: The interest rate

B: The principal amount

C: The financial institution's policies

D: The borrower's credit score

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**Q4: Are simpler interests and compound interests similar?**

A: Yes

B: No

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**Q5: What is the formula for calculating the compound interest?**

A:  $A = P(1 + r/n)^{nt}$

B:  $A = P(1 + r/4)^{4t}$

C:  $A = P(1 - r)^t$

D:  $A = P(1 - r/4)^{4t}$

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**Q6: What is compound interest?**

- A: Compound interest is the rate of interest on principle.
  - B: Accumulated rate of interest within a time period
  - C: Similar to simple interest
  - D: None of the above
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**Q7: Which of the following are types of compound interest?**

- A: Quarterly compound interest
  - B: Monthly compound interest
  - C: Simple Interest
  - D: Both A and B
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**Q8: What is the compound frequency for monthly compound interest?**

- A: 4 months
  - B: 6 months
  - C: 12 months
  - D: 3 Months
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**Q9: Is compound interest helpful in making an investment?**

- A: Yes
  - B: No
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**Q10: In which sectors can compound interest be used?**

- A: Banking
  - B: Finance
  - C: Investment
  - D: All of the above
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## Answers

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**Q1:**  $B - A = P(1 + r/4)^{4t}$

**Q2:** B - 1.5%

**Q3:** A - The interest rate

**Q4:** B - No

**Q5:** A -  $A = P(1 + r/n)^{nt}$

**Q6:** B - Accumulated rate of interest within a time period

**Q7:** D - Both A and B

**Q8:** C - 12 months

**Q9:** A - Yes

**Q10:** D - All of the above