

1. A man invest \$1,000 at 6% interest for a period of 12 years. Set up a formula to evaluate his return if:

i) The return on his principal is compounded annually.

ii) The return on his principal is compounded quarterly.

iii) The return on his principal is compounded continuously.

2. Use common sense (and not your calculator) to order the above three answers.

3. Define the number  $e$ .