

Section 1.6 Additional Problems

1. An account is earning an effective annual interest rate of 5%. If the force of interest is increased by 25% (that is, made 1.25 times bigger), what is the new effective annual interest rate?
2. An investment has a force of interest of δ for the 1st year, 2δ for the 2nd year and 3δ for the 3rd year. If \$500 is invested initially and it grows to \$580.92 at the end of the 3rd year, find δ and the effective annual rate for each of the 3 years.