FIDE- AKWUOBI ANTHONY CHIZALU

17/ENG06/037

ENGINEERING LAW

SHORT TEST 21/05/2020

* **Time Value of Money**

Money has different values at different times. This could be due to inflation or interest rates. If money is left deposited in a bank for a period of six months, it builds up some interest thus increasing the value of the money. Thus the economists, project managers and engineering managers have to take into consideration this factor .

* **Continuous Compounding of Interest**

If then interest rate for a period is I, then a loan of A naira should obtain an interest of Ai at the end of the period. The amount of money given back at the end of the period is

Ai + A= A(1 + i).

The general eqn is given as An= A(1+i)n

* **Interest Rate**

When money is borrowed, it has to be paid back with an additional amount of money which is dependent on the interest rate issues by the lender. The interest rate determines the time value of money amongst others. Thus during analysis it is advise to use an acceptable interest rate to compare the time values of money.