Flashcards

Learning & Memorizing Key Topics and Formulas

SOA Exam FM

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ACTEX a/s/m

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Accumulation Function under Compound Interest

$$a(t) = (1+i)^t$$

Broverman page 10

Accumulation Function under Simple Interest

$$a(t) = 1 + it$$

Broverman page 13

Definition of Effective Rate of Interest for u^{th} Period

$$i_{u+1} = \frac{A(u+1) - A(u)}{A(u)}$$

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Discount (or present value) Factor under Compound Interest

$$v^t = \left(\frac{1}{1+i}\right)^t = (1+i)^{-t}$$

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Discount (or present value) Factor under Simple Interest

$$\frac{1}{1+it}$$

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Generalized Discount Factor from Time t_2 Back to Time t_1

$$\frac{A(t_1)}{A(t_2)}$$

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Generalized Discount Factor under Compound Interest

$$\frac{A(t_1)}{A(t_2)} = \frac{(1+i)^{t_1}}{(1+i)^{t_2}} = v^{t_2-t_1}$$

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Generalized Discount Factor under Simple Interest

$$\frac{A(t_1)}{A(t_2)} = \frac{1+i\cdot t_1}{1+i\cdot t_2} \neq 1+i(t_2-t_1)$$

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