

### Section 1.4 Additional Problems

1. Suppose the nominal annual rate is 5%. Find the effective annual rates if interest is compounded semiannually, monthly, and daily.
2. Bank 1 pays a nominal annual interest rate of 4% compounded monthly. Bank 2 pays a nominal annual interest rate of  $i^{(365)}$ , compounded daily. What should  $i^{(365)}$  be so that the banks pay the same effective annual rate?