Compound Interest: interest paid on the initial investment (principal) and on previously earned interest: 

\[ A = P \left(1 + \frac{r}{n}\right)^{nt} \]

Interest paid only on the principal is called simple interest: \( I = Prt \)

Banking Vocabulary:
Principal:                     Yields:
Annually:                    Semiannually:
Monthly:                     Quarterly:
Weekly:                      Daily:

Example
1. You deposit $5000 in an account that yields 3.6% annual interest. Find the balance after 2 years if the interest is compounded with the given frequencies:
   a. Semiannually: 
   b. Quarterly:

2. You were charged 8.8% compounded monthly on your credit card for a balance of a $2500. If you did not make any payments on the card, how much would you owe in total after 1 year?

3. You put $1 into an account that yields 5% compounded daily. How much money will you have after 1 year?