

Investigation

This is a branch of mathematics that is concerned by the binomial theorem. It has useful applications in probability, angle identities, weather forecasting, economics and abstract algebra.

Imagine I take out a mortgage that takes n years to pay back. I will pay a rate of interest of this amount that is compounded annually, let us call that i .

Therefore, I can model the interest payments as $\left(1 + \frac{100+i}{100}\right)^n$.

I can use this to help me work out the size of payments for any interest rate, over any number of years. Therefore, I could work out that if I wanted to buy a house worth £400000, paid over 30 years, what level of interest I would have to pay? This is what comparison websites do for different banks, and last time I checked, those businesses were very valuable!!!

What would the above interest payment formula look like for 4 years?

Incredibly tricky...(use software to help)...what would the above interest payment formula look like for 30 years!

