

**TOPIC**

Economics – Section VI – Question 1

**QUESTION**

A loan-shark company provides loans and charges an interest of 5% per month. If the interest is compounded monthly, the effective interest rate for the year most nearly is

- (A) 60.00%
- (B) 64.34%
- (C) 78.58%
- (D) 79.58%

**HINT**

The effective interest rate per year is given by  $(1 + i)^m - 1$ , where  $m$  is the number of months, and  $i$  is the interest rate per month in fraction.

**CONTRIBUTOR**

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