

- (b) Cledwyn is also interested in opening a savings account. Cledwyn has some details of a *Kite Saver* account.

Account	Nominal interest rate	AER Annual Equivalent Rate, correct to 2 decimal places
<i>Kite Saver</i>	6.8% p.a. paid quarterly %

- (i) Write 6.8% as a decimal. [1]

.....

- (ii) Would you expect the AER for the *Kite Saver* account to be greater than, equal to, or less than 6.8%?
Tick (✓) one of the boxes below.
Without doing any calculations, give an explanation for your answer. [1]

Greater than 6.8% Equal to 6.8% Less than 6.8%

.....

.....

.....

- (iii) In the table above, complete the AER column, correct to 2 decimal places, for the *Kite Saver* account using the following information.
AER, as a decimal, is calculated using the formula $\left(1 + \frac{i}{n}\right)^n - 1$,
where
i is the nominal interest rate per annum **as a decimal** and
n is the number of compounding periods per annum. [4]

.....

.....

.....

.....

.....

.....

- (iv) Explain why banks use AER. [1]

.....

.....