

TOPIC

Economics

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.

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