



SZÉCHENYI ISTVÁN UNIVERSITY
KAUTZ GYULA FACULTY OF ECONOMICS

Financial Services and Decisions

2 March, 2010



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Seminar 2

Valuation of Time Deposits (cont.)

Lecturer

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Overview

▪ Time Deposit

= an interest-bearing savings deposit at a financial institution

- Fixed interest rate
- Fixed term
- Limited access to the funds until maturity



Valuation Factors of Time Deposits

- 1, Risk
- 2, Term
- 3, Liquidity
- 4, How to compute interest payment
 - Simple interest
 - Compound interest
- 5, Interest rate



Valuation Factors of Time Deposits (cont.)

- **6, Currency**
- **7, Transaction fees**
 - Account opening
 - Account maintenance
 - Payment orders
 - Cash withdrawal for account



Valuation Factors of Time Deposits (cont.)

▪8, Inflation

= a general increase in prices in an economy and consequent fall in the purchasing value of money

- Real interest rate
- Nominal interest rate

▪9, Taxation

- Tax on capital gains
- Tax free time deposits