How to calculate how much compound interest you will be charged:

Amount borrowed **X** interest rate **X** time period **=** Interest charged (R)

How to calculate the total interest owed for **year one**

R4 000 **X** 1% **X** 1yr **=** R40.00

Total amount owing for year one = R4 040 **(**amount borrowed **+** interest**)**

How to calculate the total interest owed for **year two**

R40+ R4 000 **X** 1% **X** 1yr **=** R40.40

(Interest from previous year(s) **+** amount borrowed**)** X interest rate **X** time period = Interest charged (R)
Total amount owing for year two = R4 080,40 **(**amount borrowed **+** interest from year 1 **+** interest from year 2**)**

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