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# Theory Of Interest



## Synopsis

The third edition of *The Theory of Interest* is significantly revised and expanded from previous editions. The text covers the basic mathematical theory of interest as traditionally developed. The book is a thorough treatment of the mathematical theory and practical applications of compound interest, or mathematics of finance. The pedagogical approach of the second edition has been retained in the third edition. The textbook narrative emphasizes both the importance of conceptual understanding and the ability to apply the techniques to practical problems. The third edition has considerable updates that make this book relevant to students in this course area.

## Book Information

Hardcover: 660 pages

Publisher: McGraw-Hill/Irwin; 3 edition (February 7, 2008)

Language: English

ISBN-10: 0073382442

ISBN-13: 978-0073382449

Product Dimensions: 6.4 x 1.1 x 9.4 inches

Shipping Weight: 2.2 pounds

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## Customer Reviews

In order to save the reader some time I have condensed the information contained in the twenty previous reviews to the bare essentials. For those of you who are taking the SOA/CAS Exam F/2, there are some things you should be aware of before you dedicate yourself to studying from this book.1. The book is poorly written. Almost everyone, including me, agrees. The author does not have a way with words, he does not know how to motivate the material and he often chooses the most confusing and roundabout way of explaining the concepts (if he explains them at all).

Furthermore, the notation can be quite confusing. He is not consistent with his variables.2. The book focuses on theory. Expect to spend your time following proofs and derivations of formulas. The problem sets in the book focus on proofs and derivations. Have a firm grasp on Calc 1, Calc 2 and all the algebra that is entailed because Kellison will not spend the time to spell out his proofs and derivations step by step.3. You need a supplement for working example problems. There are not

enough computational problems in this book. Get a good manual that will prepare you specifically for the exams you are taking. Manuals will give you pointers about managing your time and can help you avoid common traps and pitfalls that arise during computations. I recommend getting an Atex or ASM manual. For instance, Harold Cherry's ASM Manual covers all of the topics found in Kellison, at greater depth, in the same order, and in plain english.<sup>4</sup> Many people have passed the exams using only manuals. Other's have passed using manuals and other texts such as "Schaum's Outline of Mathematics for Finance" or "Mathematics of Finance" by Cissell.

I'm a third-year undergraduate who has loved and excelled at mathematics my whole life. We're talking mostly A's and some B's all through an honors high school program and through advanced multivariable calculus in college. I've decided to pursue actuarial work, and this fall I enrolled in a course called "Theory Of Interest," which is the introductory course for this subject at my university. The sole textbook for this course was (surprise) Kellison's "Theory Of Interest." For starters, let's make perfectly clear that the pure math involved here is easy as pie. Anyone at this level should be able to do it in their sleep before they've even cracked open the book; arithmetic, algebra, and a smidge of some very basic and easy calculus. So this subject is all about learning the definitions and procedures and applying them to problem solving. That said, I have never, ever, EVER had anything close to this much trouble with a mathematics course in my life, simply because I could not understand this textbook. As a highly detailed and analytical person, I rely heavily on the textbook to learn any subject. I expect to be taught the subject in a clear, comprehensive, logically sequenced manner, free of ambiguity and clutter. I expect to be given challenging problems free of ambiguity and confusing language. I expect the preceding chapter to prepare me for those problems. This is the biggest train wreck of a math book I have ever read. Ambiguities abound. He convolutedly waxes poetic on inconsequential "observations" for PAGES (you can sense him giving himself a huge pat on the back for his scholarly flights of fancy) while leaving you frustrated to tears trying to find and decode basic explanations and definitions.

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