**IENG112**

**Supplement to Notes #11**

**Engineering Economy**

1. **Inflation.** The change of the price of the basket from on year to the next one expressed in a multiplicative way

$$1+inflation\_{in this year}= \frac{the price of the basket in this year}{the price of the basket in last year}$$

1. **Total inflation from year *n* to year *m*** (*n < m*)

$$\prod\_{n+1}^{m}\left(1+inflation\_{t}\right)$$

1. **Net present value of a past sum:**

$$NPV=Sum\prod\_{n+1}^{m}\left(1+inflation\_{t}\right)$$