1 Simple Interest

June 6, 2023 10:07 AM

Math 11/12: Financial Literacy

Day 1: Simple Interest

First things first: Calculating Percent!

Divide by 100 (move decimal 2 places to LEFT)

Write each percentage as a decimal number.

- 1. 15% 2. 110% 3. 12 ½ % 4. 5% 5. 1.8%

- o.15.
- 1.1% 2.5% 0.05 0.018

INTEREST

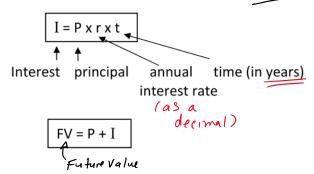
If you deposit money into a bank account, you are effectively lending money to a bank. In exchange, the bank pays you **INTEREST** for allowing them to keep your money.

Two types of interest are: Simple and Compound

SIMPLE INTEREST

- usually applicable in short term investments of less than one year
- used when annual interest is paid to investor and <u>not</u> reinvested

FORMULA:



Time

/2 months 52 weeks 365 days



Example 1: You borrow \$500 for 1 year at 5% interest rate to buy a new phone. What is the interest owed?

The principal is 500

The rate is 5% = 0.05

1 year =

L = Prt= (500)(0,05)(1)

I = \$ 25

The interest owed is $$\pm 25$.

Future value: p+I = 500 + 25 = \$525

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Example 2: Marcus saved money from working a summer job at the PNE. He invests \$1,200.00 at 8% per year for 6 months. Calculate the simple interest earned and then find the amount of the investment at the end of the 6 months.

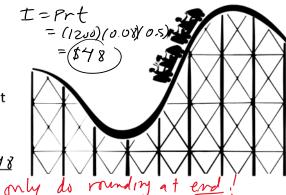
The principal is 200The rate is 82 = 0.08The time in years is 6 = 0.5 Years

The interest

earned is \$48

The total

investment at the end of 6 months i $\sqrt[4]{1248}$



Example 3: You invested \$500, which earned \$135 in 3 years. What was the interest rate?

$$r = ?$$
 $f = 3$ years

$$I = 135$$
 $p = 500$
 $r = ?$
 $t = 3 y ears$
 $I = prt$
 $I = prt$
 $I = 500 r (3)$
 $I = 7 rt$
 $I = 500 r (3)$

Example 4: What is the interest owned on a loan of \$100 at 10% for 3 months?

$$T = ?$$

$$P = 100$$

$$r = 10 = 0.25 \text{ years}$$

$$12 = 4 = 0.25 \text{ years}$$

Boards: [1,3,4]

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