REVIEW: Simple Interest

Name _____

Key Concept and Vocabulary

time in years

$I = Prt$

$\$100 = (\$1000)(0.05)(2)$

interest   principal   rate as decimal

Simple Interest
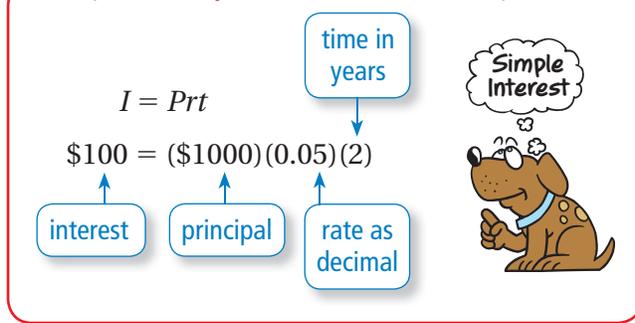
Visual Model

1 month	3 months	4 months
$t = \frac{1}{12}$	$t = \frac{1}{4}$	$t = \frac{1}{3}$

6 months	1 year	2 years
$t = \frac{1}{2}$	$t = 1$	$t = 2$

Skill Examples

1. $P = \$200, r = 0.10, t = 4$ years
    $I = (200)(0.10)(4) = \$80$

2. $P = \$250, r = 0.04, t = 0.5$ year
    $I = (250)(0.04)(0.5) = \$5$

3. $P = \$2000, r = 0.05, t = 20$ years
    $I = (2000)(0.05)(20) = \$2000$

Application Example

4. You deposited $500 in a savings account for 10 years. The account paid 6% simple interest. How much interest did you earn?

    $P = \$500, r = 0.06, t = 10$ years
    $I = (500)(0.06)(10) = \$300$

    You earned $300 in interest.

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Check your answers at BigIdeasMath.com.

Find the simple interest.

5. Principal: $400, Rate: 5%, Time: 3 years
    $60

6. Principal: $100, Rate: 3%, Time: 6 months
    $1.50

7. Principal: $1000, Rate: 2%, Time: 4 months
    $6.67

8. Principal: $250, Rate: 10%, Time: 6 months
    $12.50

9. Principal: $500, Rate: 8%, Time: 9 months
    $30

10. Principal: $600, Rate: 1%, Time: 8 years
    $48

In which savings account do you earn more simple interest?

11. **a.** Deposit $200 at 6% for 3 years.
    b. Deposit $200 at 8% for 18 months.
    a; $36 > $24

12. **a.** Deposit $1000 at 4% for 5 years.
    b. Deposit $1000 at 5% for 4 years.
    neither; $200 = $200

13. **SAVINGS** You deposited $600 in a savings account for 5 years. The account paid 4% simple interest. How much interest did you earn? _____$120_____

14. **LOAN** You borrowed $1000 for 2 years. You are charged 5% simple interest. How much interest do you owe? _____$100_____