7.2 Simple Interest

Interest on a loan or investment is calculated in one of 2 ways:
1) Simple Interest 2) Compound Interest

Recall: In simple interest, only the original money that was borrowed or invested earns or is charged interest.

An example of an investment that earns simple interest would be some Canada Savings Bonds (known as CSBs)

Formula for simple interest:

$$\boxed{I = Prt}$$

I = ______________________

P = ______________________

r = ______________________

t = ______________________

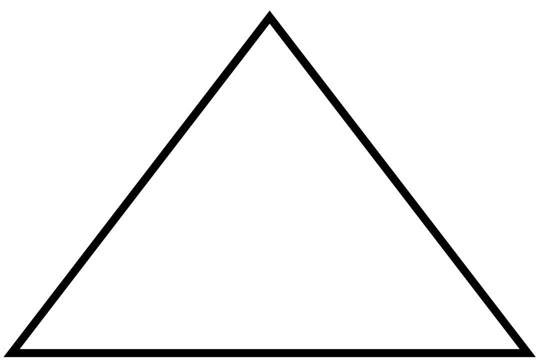
Example #1: You have a CSB paying 3% interest for 5 years. How much money will you have at the end of each year if you originally invested $1000?

Example #2: P = $1000, r = 2%, t = 4 years, what is the value of I?

Example #3: P = $1000, r = 2%, t = 4 weeks, what is the value of I?

Example #4: P = $1000, r = 2%, t = 4 days, what is the value of I?

Solving for P, r, or t? Use the triangle.



Example #5: I = $10.58, t = 10 weeks, r = 5 ½ %, what is the value of P?