

# Simple Interest

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Score: \_\_\_\_\_ / 24

## Quick Review

**Simple interest** is the extra money you earn (or owe) for using someone's money for a while. It is found with the formula  $I = Prt$ , where  $P$  is the **principal** (the starting amount),  $r$  is the yearly **interest rate** written as a *decimal*, and  $t$  is the **time** in years. To turn a percent into a decimal, divide by 100 — so 5% becomes 0.05. Once you have the interest  $I$ , the **total amount** is just  $A = P + I$ . The word “simple” means the interest is always figured on the *original* principal — it never piles up on itself.

◇ **Example:** Find the simple interest on a \$1,200 deposit at 4% per year for 3 years.

⇒ Let's line up the three ingredients first. The principal is  $P = \$1,200$ , the rate is  $4\% = 0.04$ , and the time is  $t = 3$  years. Now just multiply them together in the formula:  $I = Prt = 1200 \times 0.04 \times 3$ . Take it in steps —  $1200 \times 0.04 = 48$ , and  $48 \times 3 = 144$ . So the account earns \$144 in interest. If the question asked for the total, you would add it back on:  $\$1,200 + \$144 = \$1,344$ .

**Answer:**  $I = \$144$

## PRACTICE

Find the simple interest. Use  $I = Prt$  with the rate as a decimal.

- |   |       |  |       |
|---|-------|--|-------|
| 1. $P = \$500, r = 6\%, t = 2$ yr             | _____ | 11. $P = \$4,000, r = 4.5\%, t = 3$ yr           | _____ |
| 2. $P = \$800, r = 5\%, t = 3$ yr             | _____ | 12. $P = \$900, r = 5\%, t = 6$ yr               | _____ |
| 3. $P = \$1,000, r = 4\%, t = 1$ yr           | _____ | 13. $P = \$1,800, r = 3.5\%, t = 4$ yr           | _____ |
| 4. $P = \$1,500, r = 3\%, t = 4$ yr           | _____ | 14. $P = \$5,000, r = 3\%, t = 2$ yr             | _____ |
| 5. $P = \$2,000, r = 2.5\%, t = 2$ yr         | _____ | 15. $P = \$250, r = 10\%, t = 3$ yr              | _____ |
| 6. $P = \$600, r = 7\%, t = 5$ yr             | _____ | 16. $P = \$3,200, r = 5.25\%, t = 2$ yr          | _____ |
| 7. $P = \$2,500, r = 4\%, t = 3$ yr           | _____ | 17. Find $r$ : $I = \$90, P = \$600, t = 3$ yr   | _____ |
| 8. $P = \$1,200, r = 5.5\%, t = 2$ yr         | _____ | 18. Find $t$ : $I = \$240, P = \$2,000, r = 4\%$ | _____ |
| 9. $P = \$3,000, r = 6\%, t = \frac{1}{2}$ yr | _____ | 19. Find $P$ : $I = \$180, r = 6\%, t = 2$ yr    | _____ |
| 10. $P = \$750, r = 8\%, t = 2$ yr            | _____ | 20. Total $A$ : $P = \$1,500, r = 4\%, t = 5$ yr | _____ |

## Word Problems

21. Maya puts \$2,000 in a savings account that pays 6% simple interest per year. How much interest does she earn after 4 years, and what is her total balance? \_\_\_\_\_
22. Liam borrows \$1,000 from a credit union at 5% simple interest. He pays it all back after 2 years. How much does he repay in total? \_\_\_\_\_
23. A bond pays \$300 in simple interest over 5 years on a principal of \$1,500. What yearly interest rate does the bond pay? \_\_\_\_\_
24. Grandpa wants Nora's \$2,500 gift to grow to \$2,950 using an account that pays 6% simple interest. How many years must the money stay in the account? \_\_\_\_\_



## Answer Keys

- |   |   |
|---|---|
| <p>1. <math>I = \\$60</math></p> <p>2. <math>I = \\$120</math></p> <p>3. <math>I = \\$40</math></p> <p>4. <math>I = \\$180</math></p> <p>5. <math>I = \\$100</math></p> <p>6. <math>I = \\$210</math></p> <p>7. <math>I = \\$300</math></p> <p>8. <math>I = \\$132</math></p> <p>9. <math>I = \\$90</math></p> <p>10. <math>I = \\$120</math></p> <p>11. <math>I = \\$540</math></p> <p>12. <math>I = \\$270</math></p> | <p>13. <math>I = \\$252</math></p> <p>14. <math>I = \\$300</math></p> <p>15. <math>I = \\$75</math></p> <p>16. <math>I = \\$336</math></p> <p>17. <math>r = 5\%</math></p> <p>18. <math>t = 3 \text{ yr}</math></p> <p>19. <math>P = \\$1,500</math></p> <p>20. <math>A = \\$1,800</math></p> <p>21. <math>I = \\$480; A = \\$2,480</math></p> <p>22. <math>\\$1,100</math></p> <p>23. <math>r = 4\%</math></p> <p>24. <math>t = 3 \text{ years}</math></p> |
|---|---|

### Step-by-Step Explanations

1. Change 6% to 0.06, then  $I = 500 \times 0.06 \times 2 = 60$ .
2. Here  $I = 800 \times 0.05 \times 3$ . Since  $800 \times 0.05 = 40$ , the interest is  $40 \times 3 = 120$ .
3. For one year,  $I = 1000 \times 0.04 \times 1 = 40$ .
4.  $1500 \times 0.03 = 45$  each year, and  $45 \times 4 = 180$ .
5.  $2.5\% = 0.025$ , so  $I = 2000 \times 0.025 \times 2 = 100$ .
6.  $600 \times 0.07 = 42$  per year, then  $42 \times 5 = 210$ .
7.  $2500 \times 0.04 = 100$ , and  $100 \times 3 = 300$ .
8.  $5.5\% = 0.055$ , so  $I = 1200 \times 0.055 \times 2 = 132$ .
9. Half a year means  $t = 0.5$ , so  $I = 3000 \times 0.06 \times 0.5 = 90$ .
10.  $750 \times 0.08 = 60$  each year, then  $60 \times 2 = 120$ .
11.  $4.5\% = 0.045$ , so  $I = 4000 \times 0.045 \times 3 = 540$ .
12.  $900 \times 0.05 = 45$  per year, and  $45 \times 6 = 270$ .
13.  $3.5\% = 0.035$ , so  $I = 1800 \times 0.035 \times 4 = 252$ .
14.  $5000 \times 0.03 = 150$  each year, then  $150 \times 2 = 300$ .
15.  $250 \times 0.10 = 25$  per year, and  $25 \times 3 = 75$ .
16.  $5.25\% = 0.0525$ , so  $I = 3200 \times 0.0525 \times 2 = 336$ .
17. Rearrange to  $r = \frac{I}{Pt} = \frac{90}{600 \times 3} = 0.05 = 5\%$ .
18. Solve  $t = \frac{I}{Pr} = \frac{240}{2000 \times 0.04} = 3 \text{ years}$ .
19. Solve  $P = \frac{I}{rt} = \frac{180}{0.06 \times 2} = 1500$ .
20. First  $I = 1500 \times 0.04 \times 5 = 300$ , then  $A = 1500 + 300 = 1800$ .
21. Use  $I = Prt = 2000 \times 0.06 \times 4 = 480$ . Then add the interest back to the principal:  $\$2,000 + \$480 = \$2,480$ .
22. The interest is  $I = 1000 \times 0.05 \times 2 = 100$ . He repays the principal plus the interest:  $\$1,000 + \$100 = \$1,100$ .
23. Rearrange  $I = Prt$  to get  $r = \frac{I}{Pt} = \frac{300}{1500 \times 5} = 0.04$ , which is 4%.
24. The interest needed is  $\$2,950 - \$2,500 = \$450$ . Then  $t = \frac{I}{Pr} = \frac{450}{2500 \times 0.06} = 3 \text{ years}$ .



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