Simple Interest

Simple Interest (I) - interest calculated only on the original principal using the formula:
I = Prt   where:

I is the interest in dollars	**P** is the principal in dollars
r is the annual rate of interest, as a decimal	**t** is the time, in years

Principal (P) - amount of money initially invested or borrowed

Amount (A) - the value of an investment or loan at the end of a time period
    - can be calculated using the formula **A = P(1 + rt) or A = P + Prt**

Example 1: Complete the following chart for an investment of $1000 at a rate of 5% p.a. (per annum) for 5 years.

# of years	Original Amt.	Interest Rate	Simple Interest ($)	Amount($)
1	1000	0.05	50	1050
2	1000	0.05		
3	1000	0.05		
4	1000	0.05		
5	1000	0.05		

After each year, the Amount increases by $50. Since this is a constant amount, this is an example of an
_____ *sequence*.

Example 2: Determine the interest on $715 at an annual rate of 6.2% for 10 months.

Example 3: How many days will $800 have to be invested at 7% annually to earn $13.50?

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