NOTES: Simple Interest

Interest	*the extra $ you earn if you put money into an account at a bank (ex: savings acct, money market, CD) *the extra $ you pay back if you take a loan (in addition to the amt. you borrowed) Both are based on time and a percentage rate
Simple Interest formula	I = PRT Interest = (Principal)(Rate)(Time) Amt of $ = (amt of $)(%)(years)
Example 1 Substitute what you know into formula	Interest = ? Principal = $800 Rate = 6% Time = 2 years I = prt I = (800)(.06)(2) I = $96
Example 2 When solving for "r" change the decimal into a % by moving decimal 2 to right	Interest = $20 Principal = $250 Rate = ? Time = 1 year I = prt 20 = (250)(r)(1) 20 = 250r $\frac{20}{250} = \frac{250r}{250}$ r = 0.08 r = 8%
Example 3 Change months into a fraction of a year	Interest = $100 Principal = ? Rate = 5% Time = 9 months I = prt 100 = (p)(.05)(3/4) 100 = (0.0375)(p)

	$\frac{100}{0.0375} = \frac{(0.0375)(p)}{0.0375}$ P = 2666.67 Principal = $2666.67