Name\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

INTEREST

**Directions**: View the following utube videos.

[www.khanacademy.org](http://www.khanacademy.org)

Finance

1. Introduction to Interest
2. Interest (Part 2)

**Directions:** In your own words describe the difference between simple interest and compound interest. Use examples if it helps make sense to you.

**INTEREST = (PRINCIPAL) x (RATE) x (TIME)**

**I = P x R x T**

**What is:**

1. Principal –
2. Rate –
3. Time –

**Directions:** Solve the problems involving interest using online calculators. Use the interest formula and show your work. One online calculator I found useful was:

http://www.bankrate.com/calculators/smart-spending/simple-loan-payment-calculator.aspx

1. What is the interest on $3,400 invested at an interest rate of 8% for 1 year?
2. What is the interest paid on a loan of $1,800 borrowed at an interest rate of 7% for 4 years?
3. Tom borrowed $500 from his sister at 10% annual interest for 6 months. How much interest did he pay? What was the total amount he repaid his sister?
4. Susie borrowed $750 from a friend for 90 days at 10% interest. How much interest did she pay? What is the total amount Susie paid back to her friend?
5. Sara borrowed $6,000 from Wells Fargo Bank at a 7.5% interest rate for 4 years. If she pays the loan back in equal monthly payments, how much will she have to pay every month?
6. Alex borrowed $1,200 from Community Bank and Trust to purchase a boat. If the interest rate is 11.5% and he intends to pay the loan back in 6 months with equal monthly payments, how much will his monthly payment be?