

Definitions:

Simple Interest:

Principal:

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rate
3 per year

Simple Interest Formula:

Future Value

Simple Interest Future Value Formula:

Examples:

Simple Interest:) Suppose \$2700 is deposited into an account earning simple interest of 4.8% annually. If the account is closed at the end of 15 months, how much interest will be bank pay?

Simple Interest: Find the simple interest I earned on the principal $P = \$4000$, interest rate $r = 5\%$, and for the length of $t = 3$ years.

Future Values: Going back to our first example, \$ 2700 is deposited and earning simple interest of 4.8% annually. Find the future value of the account after 15 months and 24 months.

Finding Present Value: Find the amount of money you must deposit in a simple interest account paying 4.3% annually so that the account will be worth \$5000 in 3 years.

Rate of Return: (# 21) A \$6000 investment in Intel Corporation stock in 1988 rose in value to \$49,375 in 1997. What is the rate of return, figured as an annual simple interest rate, for this investment?