

REAL LIFE MATH

•Banking•

Name: _____

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WORKING PROBLEMS WITH SIMPLE INTEREST

Problem #1: Keven lends \$75 to his sister for 1 year. He charges her 3% interest. How much money will his sister pay in interest? (Another way of looking at it is, how much will Keven earn in interest?)

To solve: The formula for solving this problem is

$$\text{interest} = \text{principal} \times \text{rate} \times \text{time}$$

principal is the amount of money \$ _____

rate is the percent of interest _____%

time is the number of years _____ year

$$\frac{\text{interest}}{\text{paid by sister}} = \frac{\text{principal}}{\text{principal}} \times \frac{\text{rate}}{\text{rate}} \times \frac{\text{number of years}}{\text{number of years}}$$

Show your work when solving the problem:

1. Change % to decimal.

How much interest did Keven earn? _____

Problem #2: Stephanie lends \$50 to her sister for 2 years. She charges her sister 3% interest. How much money will Stephanie's sister pay in interest?

To solve: The formula for solving this problem is

$$\text{interest} = \text{principal} \times \text{rate} \times \text{time}$$

principal is the amount of money \$ _____

rate is the percent of interest _____%

time is the number of years _____ year

$$\frac{\text{interest}}{\text{paid by sister}} = \frac{\text{principal}}{\text{principal}} \times \frac{\text{rate}}{\text{rate}} \times \frac{\text{number of years}}{\text{number of years}}$$

Show your work when solving the problem: