Chapter 7 section 5
Interest

Simple Interest Formula:
$$I = Prt$$

I        Interest
P        Principal – initial amount invested or borrowed.
r        Rate – Interest rate, usually given as a percent per year.
t        Time – Time duration of the loan or investment.  If the interest rate is per pear, then time must be measured in years.

Example 1: page 542
        How much simple interest is earned if $1200 is invested at 4% per year for 5 years.

I        must compute
P        Principal       $1200
r        Rate    4% per year   change to a decimal   0.04
t        Time    5 years

$I =$      P      r      t
$I = (1200)(0.04)(5)$   multiply
$I = \$240$

Interest earned in 5 years is $240.


Example 2: Page 543
        A contractor borrows $5000 at 4.5% per year.  The interest accrued is simple interest. the duration of the loan is 6 months.  How much will the contractor have to pay back at the end of the 6-month loan period?