

Banks and Simple Interest

Chapter 14: Banks and Simple Interest · Topic 1

Key Concept

Simple interest is calculated using the formula $SI = (P \times R \times T)/100$, where P is principal, R is rate of interest, and T is time in years.

Principal (P) is the original amount of money deposited or borrowed, forming the base for interest calculations.

The amount (total money) after simple interest is calculated as $\text{Amount} = \text{Principal} + \text{Simple Interest}$.

Understanding simple interest helps us make informed decisions about savings accounts, loans, and financial planning.

Quick Revision Notes

- Simple Interest formula: $SI = (P \times R \times T)/100$.
- P = principal; R = rate; T = time in years.
- Principal: original deposited/borrowed amount.
- It's the base for interest calculation.
- $\text{Amount} = \text{Principal} + \text{Simple Interest}$.
- This gives total money after interest.
- Understanding SI aids savings decisions.
- It also aids loan and financial planning.

Practice Questions

- 1 Calculate simple interest on ₹2000 at 6% for 3 years.
- 2 Calculate the total amount for the above example.
- 3 Discuss why understanding interest matters for savings.
- 4 Solve a loan interest word problem.
- 5 Discuss the difference between principal and interest.
- 6 Research current bank interest rates.