

Practice and Revision - Banking (Recurring Deposit Accounts)

Chapter 2: Banking (Recurring Deposit Accounts) · Topic 2

Key Concept

The maturity value formula for RD is: $MV = P \times n + P \times n \times (n+1)/2 \times (r/12) \times (1/100)$, where P is monthly deposit, n is months, r is annual interest rate.

Interest earned equals the maturity value minus the total amount deposited ($P \times n$), showing the extra money gained through interest.

RD accounts encourage regular saving habits, making them popular for people wanting to save a fixed amount consistently over time.

Understanding RD calculations helps us make informed decisions about savings plans and understand how banks calculate returns on deposits.

Quick Revision Notes

- RD maturity value formula involves P, n, r.
- P=monthly deposit, n=months, r=annual rate.
- Interest = Maturity Value - ($P \times n$).
- This shows extra money gained.
- RD encourages regular saving habits.
- It's popular for consistent saving.
- Understanding this aids savings decisions.
- It shows how banks calculate deposit returns.

Practice Questions

- 1 Calculate the maturity value for a RD of ₹500/month for 12 months at 8% interest.
- 2 Calculate the interest earned in the above example.
- 3 Discuss why someone might choose an RD account.
- 4 Research current RD interest rates.
- 5 Solve an RD word problem.
- 6 Explain the RD formula in your own words.