

Simple Interest

Chapter 9: Simple Interest · Topic 1

Key Concept

Principal is the original amount of money borrowed or invested, while the rate is the percentage charged or earned per year.

Time is usually measured in years, and the formula $I = (P \times R \times T) \div 100$ calculates the interest earned or owed.

For example, ₹1000 invested at 5% interest for 2 years earns: $I = (1000 \times 5 \times 2) \div 100 = ₹100$.

Understanding simple interest helps us make informed decisions about savings, loans, and investments in real life.

Quick Revision Notes

- Simple interest formula: $I = (P \times R \times T) \div 100$.
- P is principal, R is rate, T is time.
- Time is usually in years.
- ₹1000 at 5% for 2 years earns ₹100 interest.
- Simple interest applies to savings.
- It also applies to loans.
- Understanding it helps financial decisions.
- It's a foundational finance concept.

Practice Questions

- 1 Calculate simple interest on ₹1500 at 6% for 3 years.
- 2 Calculate simple interest on ₹2000 at 8% for 2 years.
- 3 Discuss the difference between principal and interest.
- 4 Solve a word problem involving a loan and interest.
- 5 Explain the simple interest formula in your own words.
- 6 Research why banks charge or pay interest.