

KEY

$$I = P \cdot r \cdot t$$

I = Interest Paid or Earned in \$

P = Principal in \$

r = Interest Rate in %

t = Time in Years

Word Problems: Simple Interest

1. A bank is offering ^{.025} 2.5% simple interest on a savings account. If you deposit \$5000, how much interest will you earn in one year? $I = \$125$
2. To buy a car, Jessica borrowed \$15,000 for 3 years at an annual simple interest rate of 9%. How much interest will she pay if she pays the entire loan off at the end of the third year? What is the total amount that she will repay?
 $I = \$4050$ $Total = \$19050$
3. Nancy invested \$6000 in a bond at a yearly rate of 3%. She earned \$450 in interest. How long was the money invested? $t = 2.5$ years
4. Mr. Johnson borrowed \$8000 for 4 years to make home improvements. If he repaid a total of \$10,320, at what interest rate did he borrow the money?
 $I = \$2320$ $r = 0.0725$ 7.25%
5. John's parents deposited \$1000 into a savings account as a college fund when he was born. How much will John have in this account after 18 years at a yearly simple interest rate of 3.25%?
 $Total = \$1585$ $I = \$585$
6. To buy a laptop computer, Elaine borrowed \$2,000 for 3 years at an annual simple interest rate of 5%. How much interest will she pay if she pays the entire loan off at the end of the third year? What is the total amount that she will repay?
 $I = \$300$ $Total = \$2300$
7. TJ invested \$4000 in a bond at a yearly rate of 2%. He earned \$200 in interest. How long was the money invested? $t = 2.5$ years
8. Mr. Mogi borrowed \$9000 for 10 years to make home improvements. If he repaid a total of \$20,000 at what interest rate did he borrow the money?
 $r = 0.12$ or 12%
9. Bertha deposited \$1000 into a retirement account when she was 18. How much will Bertha have in this account after 50 years at a yearly simple interest rate of 7.5%?
 $I = \$3750$ $Total = \$4750$
10. Joshua borrowed \$1000 from his friend and paid him back \$1050 in six months. What simple annual interest did Joshua pay his friend? $r = 0.1$ or 10%