SIMPLE INTEREST

If a principal amount of money (P) is invested over a period of time (T), yielding a Simple Interest (SI) or I then SI is given by:

$$\mathrm{SI} = \frac{\mathrm{P} \times \mathrm{R} \times \mathrm{T}}{100}$$

Where R is the rate of interest every year. The amount (A) at the end of the investment period is:

$$\mathrm{A} = \mathrm{P} + \mathrm{SI}$$

i.e.

$$Amount = Principal + Simple\ Interest$$

Example: A car costing ₦10,500 was hired at 5% interest per annum. Find the interest the car would have yielded in 8 years.

Solving

$\mathrm{SI} = \frac{\mathrm{PRT}}{100}$

$= \frac{10500 \times 5 \times 8}{100}$

$= \frac{420000}{100} = 4200$

$\mathrm{SI} = \mathbf{4200}$