

Date _____

Name _____

Simple & Compound Interest Practice

1. Calculate the amount of simple interest earned **and** the final value for each of the following principal amounts at the rate and term given.

a. Principal: \$1000.00 Rate: 2.5% per annum Term: 1 year

b. Principal: \$400.00 Rate: 1.25% per annum Term: 8 years

c. Principal: \$1200.00 Rate: 3.95% per annum Term: 9 years

2. An investment offers a rate of 2.8% per annum, compounded annually.

a. Use the Rule of 72 to determine about how long it will take for the value to double.
Round your answer to the nearest whole year.

b. Use the compound interest formula and an investment of \$1000.0 to check your answer to a. What is the value after that number of years?

3. Rejean has a \$1000.00 investment that offers an interest rate of 2.5% per annum, compounded monthly.

a. If he invests it for 5 years, how much will the investment be worth at the end of the term?

b. What would it be worth if the interest rate increased to 3.5% per annum?

4. Which is the better investment over 5 years:

- An investment that offers a rate of 1.90% per annum, compounded annually; or
- An investment that offers a rate of 1.75% per annum, compounded monthly?

5. Calculate the final value of an investment of \$5000.00 over a term of 10 years and a rate of 2.60% at the following compounding periods:

a. Annual

b. Quarterly

c. Daily