**Simple Interest**

**Investment Math Terms**

* Principal (P)—An amount deposited or an amount borrowed
* Interest (I) –The amount earned from the deposit principal or the amount paid from the loan principal.
* Interest Rate per Annum (r) –The percentage of the principal deposit earned in one year or the % of the principal loan paid in one year.
* Time or Term (t) – The length of time on which the interest is earned or paid. Must be congruent with the interest rate time period
* If interest rate is expressed in years, then time must be in years.
* Amount (A) –The amount of the principal plus interest earned or paid.

**Simple Interest**

* Interest is the amount of money earned on the principal deposited.
* Interest is calculated as a percentage of the principal over a specific time period
* This time period is expressed in terms of years

Formula’s given on test:

 

**Formulae**

Interest = Principal x Rate x Time

 **or**  **or ** **or**  

Now,

Amount = Principal + Interest or A = P+I

By Substitution

 so  so 

Therefore:

Principal =  or 