Supplemental Instruction Handouts

Business Math

Chapter 6:
Simple Interest

1. How much interest will be earned on an investment of $4,500 if it is invested at 4.8% for three months?

2. If the interest paid on a loan was $350 at an interest rate of 0.3% per month for 5 months, how much was the amount originally borrowed?

3. What interest rate did an investment earn if we invested $15,000 for 9 months and received $420 in interest?

4. Mark loaned OJ $500 at a simple interest rate of 3.4% p.a. If OJ paid Mark $5.67 in interest, how many months was the loan for? How many days was the loan for?

5. On May 1st, Aerika put $3,200 into a term deposit until September 2nd, when she will need the money for tuition and books. For term deposits that last between 120 – 180 days her credit union will pay her 3.8%. How much interest will she earn on her term deposit?

6. What will be the maturity value in 16 months of a $2,300 loan at a simple interest rate of 7.3%?

7. How many days will it take $2,200 to grow to $2,854.35 at an annual rate of 6.84%?

8. Sam has asked Ron if he could postpone payment of his debt to Ron for 120 days. If Ron charges Sam 5.25% interest on the debt of $650, how much will Sam have to pay Ron in 120 days?

9. What will be the maturity value of an investment of $25,000 in a 90 – day term deposit paying an interest rate of 3.4%?

10. If on the maturity date, from the last question, we decide to take the maturity value, including the interest, and “rolled it over” into a 120 – day term deposit paying an interest rate of 2.8%, what will be the maturity value?

11. Your gym is advertising that you can purchase next year’s membership fee today for $1,340. If you decide to wait 11 months you will have to pay the full membership fee of $1,400. If you can invest your money at 4.25%, which option should you choose? At what discount rate would the alternatives be equivalent?

Academic Success Centre
These questions are compiled by Michael Reimer for the Academic Success Centre.