

Source: [KBhMATH401SubIndex](#)

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Step 1: Know what simple interest/compound interest is.

1.1 | Simple Interest Review

$P = \text{principle}$

$r = \text{interest}$

$t = \text{time}$

$$SI = p \times r \times t$$

1.2 | Compound interest

$P = \text{principle}$

$r = \text{interest}$

$t = \text{time}$

$p = \text{compounding per annum}$

$$CI = P(1 + \frac{r}{p})^{tp}$$