

# 7.2 Accounts & Interest

Name: \_\_\_\_\_

Block \_\_\_\_\_

## A) BANKING TERMINOLOGY....

### Bank Account Types:

Chequing Account

Savings Account

### What is interest?

There are a couple of types of interest...



- i. The fee \_\_\_\_\_ or credit union when you borrow money from them. *For example, a loan, or a credit card.*
- ii. Interest is also the fee a bank will \_\_\_\_\_ to keep your money in a savings account at that bank. (generally around 0.1% monthly)

Activity				
Date	Description	Credits	Debits	Balance
05/21/2012	Beginning Balance			\$100.01
05/21/2012	ATM Withdrawal Transaction Fee: \$ 3.00	\$0.00	-\$23.00	\$77.01
05/31/2012	Direct Deposit	\$100.00	-\$0.00	\$177.01
06/15/2012	Direct Deposit	\$100.00	-\$0.00	\$277.01
06/20/2012	ACH Deposit	\$4,000.00	-\$0.00	\$4,277.01
06/20/2012	Interest Earned	\$0.10	-\$0.00	\$4,277.11
06/20/2012	ATM Fee Reimbursement	\$3.00	-\$0.00	\$4,280.11
06/20/2012	<b>Ending Balance</b>			<b>\$4,280.11</b>

### Service Charge:

A service fee may be charged by a bank for taking care of your money.  
What are some examples of when a service fee might be charged?

An **automated teller machine**, or \_\_\_\_\_ is a machine used for common banking transactions with a debit card that has its own PIN (\_\_\_\_\_)

A **transaction** refers to \_\_\_\_\_

Bank statements are a "**record of transactions**".

A **deposit** is a transaction that puts money \_\_\_\_\_ your account.

What is another word for a deposit? \_\_\_\_\_

What are some *examples of deposits*?

A **withdrawal** is a transaction that \_\_\_\_\_ your account.

What is another word for a withdrawal? \_\_\_\_\_

What are some *examples of withdrawals*?

## **B) ANALYZING BANK STATEMENTS**

Below is an example of a bank statement:

Date	Details	Debits (-)	Credits (+)	Balance
Jan 1	Direct deposit		207.21	207.21
Jan 2	Cash deposit		25.00	232.21
Jan 5	ATM withdrawal	40.00		192.21
Jan 12	ATM charge	2.50		189.71
Jan 14	Silvercity	23.25		166.46
Jan 15	Direct deposit		223.47	389.93
Jan 21	Fujiya	12.29		377.64
Jan 23	Starbucks	8.97		368.67
Jan 27	Uptown	79.88		289.79
Jan 31	Interest		0.01	289.80
Jan 31	Account fee	6.50		283.30

What kind of information is contained in a bank statement?

1. What is the opening balance?

2. What is the closing balance?

3. What is the total of the credits? What is the total of the debits? Which do you think should be greater?
  4. How many transactions (*this includes deposits and withdrawals*) were performed during the month of January?
  5. If the first five transactions are covered under an account fee of \$5/month, how much did each of the remaining transactions cost?

### C) CALCULATING SIMPLE INTEREST

**Formula:**

Figure 1. The relationship between the number of species and the area of forest cover.

J =

$p =$

*r* =

*t* =

INTEREST RATE	SIMPLE INTEREST	PRINCIPAL

**Example 1:**

1. You decide to invest \$500 from your savings. You have two options.
    - Option A: Lend it to your parents for 1 year at an interest rate of 5%.
    - Option B: Invest it at a bank that pays a simple interest of 6% for 3 years.
- a) What amount of interest will you receive with each option?
- b) Describe the advantages of choosing each option.

**Example 2:**

How long would you need to invest \$750 at an interest rate of 3% to earn \$50 in interest?

**Example 3:**

What amount of principal would you need to invest to earn \$25 in interest over two years at an interest rate of 4%?

#### **Example 4:**

If you earned \$325 in interest over 2 years at a rate of 2.5% what was the value of the principal that you invested?



- 1) You borrow \$100.00 from your aunt. She says she will charge you 0.5% simple interest and give you 1.5 years to pay her back. How much will you owe her in total?
  - 2) Stephan spent \$980 on his credit card 12 months ago and has not paid it off yet. If his credit card charges him a simple interest of 19%, how much does Stephan owe now?



## Assignment #7.2

Required	Extra Practice	Extension
#1, 2, 3, 4, 5, 7, 8, 9, 11, 12, 14, 16abcd	6, 10, 13, 15, 16e	17