




TIPTECHNOLOGICAL INSTITUTE OF THE PHILIPPINES




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1.1 Simple Interest



Intended Learning Outcomes

At the end of the lesson, the student shall be able to:

1. Differentiate the difference between the principal, future, and interest amount.
2. Apply the formulas/equations in simple interest to solve word problems.

INTEREST

Interest is the amount of money paid for the use of borrowed capital or the income produced by money that has been loaned.

$$F = P + I$$

Simple Interest is calculated using the principal only, ignoring any interest that had been accrued in preceding periods. In practice, simple interest is paid on short term loans in which the time of the loan is measured in days.

$$I = Pin$$

$$F = P + Pin$$

$$F = P(1 + in)$$

Where:

I = interest

P = principal or present worth

n = number of interest periods

i = rate of interest per interest period

F = accumulated amount or future worth

- **Ordinary simple interest** is computed on the basis of 12 months of 30 days each or 360 days a year.

$$1 \text{ interest period} = 360 \text{ days}$$

- **Exact simple interest** is based on the exact number of days in a year, 365 days for an ordinary year, and 366 days for a leap year.

$$1 \text{ interest period} = 365 \text{ or } 366 \text{ days}$$

How to determine whether the year is a leap year?

- The year must be divisible by 4.
- For century years, the year must be divisible by 400.

Examples: 2020, 2004, 1996, 1848

Examples: 2000, 1600



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