

Activity 4 Assessment

Simple Interest and Compound Interest

Determining Simple Interest and Compound Interest			
<p>Understands and calculates simple interest</p> <p>Simple interest is money earned on an investment and money paid on a loan.</p> <p>If I save \$500 for 3 years at 6% annual simple interest, the interest earned is:</p> $\$500 \times 3 \times 0.06 = \90	<p>Understands and calculates compound interest</p> <p>Compound interest is interest earned on interest for an investment, or interest paid on interest for a loan.</p> <p>I use an online calculator.</p> <p>If I save \$500 for 3 years at 6% compound annually, the interest earned is \$95.51.</p>	<p>Understands the implications of interest on a loan</p> <p>A person borrows \$10 000 for 10 years and pays 8% interest.</p> <p>If the person pays simple interest, the amount owing after 10 years is \$18 000.</p> <p>If the person pays interest compounded annually, the amount owing after 10 years is \$21 589.25.</p> <p>It costs much more to borrow money with compound interest.</p>	<p>Understands the effect of different compounding periods on a loan</p> <p>A person owes \$7000 for 5 years and pays 15% interest.</p> <p>If the interest is compounded annually, the amount owing after 5 years is \$14 079.50.</p> <p>If the interest is compounded daily, the amount owing after 5 years is \$14 816.72.</p> <p>The amount owing increases faster when the compounding period is more frequent.</p>
Observations/Documentation			