

Interest Percentages

Name _____ Date _____

Understanding Interest Percentages

Read each question carefully. Solve the problems using the appropriate formulas.

1. Bob deposited \$400 into a savings account that earns 2% annual interest. How much interest will Bob earn after one year?

2. Lisa borrowed \$600 from her sister and promised to pay back the loan with 4% annual interest. How much interest will Lisa owe her sister after one year?

3. David invested \$800 in a bond with a 3% annual interest rate. How much money will David have after two years if the interest is compounded annually?

4. Emma invested \$1200 in a mutual fund that earns 5% interest compounded annually. How much money will Emma have after three years?

5. Compare the outcomes of investing \$1500 for two years at the following interest rates:
a) 3% annual simple interest
b) 4% annual compound interest, compounded annually
c) 5% annual compound interest, compounded annually

6. Mia took out a loan of \$1000 to buy a bicycle. The loan has an annual interest rate of 6%. How much interest will Mia owe after two years?

7. Jack invested \$2000 in a savings account with a 2.5% annual interest rate compounded quarterly. How much money will Jack have after two years?

8. Sarah deposited \$5000 in a certificate of deposit (CD) with a 3.5% annual interest rate compounded quarterly. How much money will Sarah have after three years?

9. Compare the outcomes of investing \$800 for three years at the following interest rates:
a) 2% annual simple interest
b) 3% annual compound interest, compounded annually
c) 4% annual compound interest, compounded annually

10. Think about a real-life scenario where understanding interest percentages is important. Describe the situation and explain how knowing about interest percentages could help someone make better financial decisions.

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Read each question carefully. Solve the problems using the appropriate formulas.

1. Bob deposited \$400 into a savings account that earns 2% annual interest. How much interest will Bob earn after one year? **\$8**

2. Lisa borrowed \$600 from her sister and promised to pay back the loan with 4% annual interest. How much interest will Lisa owe her sister after one year? **\$24**

3. David invested \$800 in a bond with a 3% annual interest rate. How much money will David have after two years if the interest is compounded annually? **\$1380.38**

4. Emma invested \$1200 in a mutual fund that earns 5% interest compounded annually. How much money will Emma have after three years? **\$1380.38**

5. Compare the outcomes of investing \$1500 for two years at the following interest rates:
a) 3% annual simple interest **\$90**
b) 4% annual compound interest, compounded annually **\$159.20**
c) 5% annual compound interest, compounded annually **\$172.80**

6. Mia took out a loan of \$1000 to buy a bicycle. The loan has an annual interest rate of 6%. How much interest will Mia owe after two years? **\$120**

7. Jack invested \$2000 in a savings account with a 2.5% annual interest rate compounded quarterly. How much money will Jack have after two years? **\$2105.06**

8. Sarah deposited \$5000 in a certificate of deposit (CD) with a 3.5% annual interest rate compounded quarterly. How much money will Sarah have after three years? **\$5460.09**

9. Compare the outcomes of investing \$800 for three years at the following interest rates:
a) 2% annual simple interest **\$48**
b) 3% annual compound interest, compounded annually **\$857.57**
c) 4% annual compound interest, compounded annually **\$902.86**

10. Think about a real-life scenario where understanding interest percentages is important. Describe the situation and explain how knowing about interest percentages could help someone make better financial decisions. **Answer varies**