

$$I = P \cdot r \cdot t$$

$I$  = interest (\$)

$P$  = principal/amount borrowed (\$)

$r$  = rate or percent (%)

$t$  = time in years

Example

\$500, 6%, 3 years  
↓            ↓            ↓  
principal   rate        time

$$I = 500 \cdot 6\% \cdot 3$$
$$I = \$90$$

A man borrowed \$3000. If the loan was for two years and the interest rate was 5%, how much will he pay in interest?

Solve:

Simple Interest

Tip / Gratuities