Simple Interest

Simple Interest (S.I) is the method of calculating the interest amount for some principal amount of money.

When a person borrow loan from a bank or a financial authority to fulfill their needs. A loan amount is required to be returned by the person to the authorities on time with an extra amount, which is usually the interest you pay on the loan.

Simple interest formula

$$SI = \frac{P \times R \times T}{100}$$

Where SI = simple interest

P = principal

R = interest rate (in percentage)

T = time duration (in years)

In order to calculate the total amount, the following formula is used:

Amount (A) = Principal (P) + Interest (I)

Here,

A = Total amount after the given time period
P = Principal amount or the initial loan amount
R = Rate of interest (per annum)
T = Time (in years)

Let us understand with an example:

Example: Varun takes a loan of Rs 10000 from a bank for 1 year. The rate of interest is 10% per annum. Find the interest and the amount he has to pay at the end of a year.

Simple Interest

Solution:

Here, the loan sum = P = Rs 10000 Rate of interest per year = R = 10% Time for which it is borrowed = T = 1 year Thus, simple interest for a year, SI = $(P \times R \times T) / 100$ = $(10000 \times 10 \times 1) / 100$ = Rs 1000 Amount that Varun has to pay to the bank at the end of the year Amount = Principal + Interest = 10000 + 1000= Rs 11,000