INTEREST
(Simple and Compound)

P • Principal is the money (sum) borrowesd or sum lent

I or SI • Interest is the money paid by the borrower to the money lender, for the use of money borrowed

R • Rate is the interest on very 100 rupee

T • Time is the for which money is lent or is borrowed. The day on which money is borrowed and paid back is not included in time

A • Amount is the total of the sum borrowed and the interest on it.
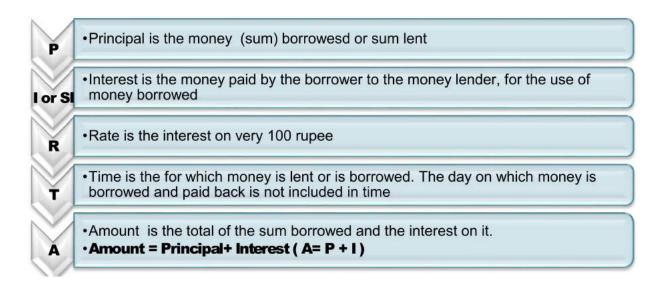• **Amount = Principal+ Interest (A= P + I)**

<u>**Relation between Principal, rate and time**</u> $I = \dfrac{P \times T \times R}{100}$

<u>**Compound Interest (C.I) – By Simple Interest Method**</u>

- Money is lent to be lent at C.I, when the Interest is not paid but is added to sum lent, and amount thus obtained becomes principal for next period. The difference between original sum and final amount is called **Compound Interest**
- **C.I = Amount – Principal**
- In case of S.I, principal remains same every year for the whole period whereas in C.I principal keeps on increasing every year.
- In C.I interest also keeps on increasing
- C.I for certain period can also be obtained by adding interest of different years.