Simple Interest Practice Problems

1.) Max borrows $120 from his mom to buy a couple of video games. She's tired of loaning him money so she charges him 10% interest. How much money does Max owe his mom?

2.) Jamar borrows $150,000 from the bank to buy a house. They charge him 5% in interest. How much will Jamar end up paying the bank for this loan?

3.) Aaliyah gets a loan from Honda to buy their new Civic. The car costs $24,895 but comes with a 4.5% interest rate. How much will Aaliyah end up paying for her new car?

4.) Jalil decides he wants to buy a new yacht. The massive boat costs $495,000 but the dealership is charging 7% interest. How much will Jalil end up spending for this new boat?

Simple Interest Practice Problems ANSWER KEY

1.) Max borrows $120 from his mom to buy a couple of video games. She's tired of loaning him money so she charges him 10% interest. How much money does Max owe his mom?

Step 1: Convert interest percentage to a decimal by moving the decimal place two places to the left → 10% = 0.10
Step 2: Add one to this number → 1 + 0.10 = 1.10
Step 3: Multiply the principal (starting amount) by the number from Step 2 → 120 x 1.10 = <u>$132</u>

Max owes his mom $132.

2.) Jamar borrows $150,000 from the bank to buy a house. They charge him 5% in interest. How much will Jamar end up paying the bank for this loan?

Step 1: Convert interest percentage to a decimal → 5% = 0.05
Step 2: Add one to this number → 1 + 0.05 = 1.05
Step 3: Multiply the principal by the number from Step 2 → 150,000 x 1.05 = <u>$157,500</u>

Jamar will end up paying $157,500.

3.) Aaliyah gets a loan from Honda to buy their new Civic. The car costs $24,895 but comes with a 4.5% interest rate. How much will Aaliyah end up paying for her new car?

Step 1: Convert interest percentage to a decimal → 4.5% = 0.045
Step 2: Add one to this number → 1 + 0.045 = 1.045
Step 3: Multiply the principal by the number from Step 2 → 24,895 x 1.045 = <u>$26,015.27</u>

Aalyiah will end up paying $26,015.27.

4.) Jalil decides he wants to buy a new yacht. The massive boat costs $495,000 but the dealership is charging 7% interest. How much will Jalil end up spending for this new boat?

Step 1: Convert interest percentage to a decimal → 7% = 0.07
Step 2: Add one to this number → 1 + 0.07 = 1.07
Step 3: Multiply the principal by the number from Step 2 → 495,000 x 1.07 = <u>$529,650</u>
Jalil will end up paying $529,650.