

## COMPOUND INTEREST SUMMARY

**For Year level(s): 10, 11 12**

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**This material relates to:**

Connect the compound interest formula to repeated applications of simple interest using appropriate digital technologies (ACMNA229)

### Rationale for Use

It is expected that students will have access to an array of practice material in the form of text books or school prepared exercises. The purpose of the AMSI materials is to support the development of **understanding** and **reasoning** about the concepts involved. They complement and enhance the teacher instruction elements of normal classroom instruction.

### Short Explanation (1 paragraph)

Interest on a loan or investment is the cost (for a borrower) or the revenue (for an investor) earned for using the money loaned. Simple interest is calculated once over the entire time of the loan or investment. Compound interest is calculated more often on a set schedule, yearly, monthly etc, and what was earned in the last period is added to the principal for the current period. The overall effect is that the total amount grows more quickly than for simple interest. This is an example of exponential growth.

### List of Resources

- 1) Compound Interest Summary
- 2) Comparing Simple and Compound Interest overview – Video
- 3) Compound Interest Notes
- 4) [Interactive – Web Page](#)

## FURTHER INFORMATION

[AMSI TIMES Module on Consumer Arithmetic](#)