Investigation 1: Interest Earned on Investment

Simple Interest: Interest that is applied to a principal (starting) investment amount.

Ex: $1000 is invested and 5% per annum simple interest is paid.
- the 5% has to be divided over the 12 months
- even as interest is earned, each month's new interest continues to be earned on the starting $1000 only.

Complete the table below.

Month	Start	Interest	End
1			
2			
3			
4			

Write the sequence for end of month amounts.

What type of sequence is this?

Write the general formula for this sequence.

Compound Interest: Interest that is applied to the principal *and* the interest already earned.

Ex: $1000 is invested and 5% per annum compound interest is paid.
- the 5% has to be divided over the 12 months
- as interest is earned, the next month's interest is based on the most recent month's total balance.

Complete the table below.

Month	Start	Interest	End
1			
2			
3			
4			

Write the sequence for end of month amounts.

What type of sequence is this?

Write the general formula for this sequence.

Simple Interest Formula

Compound Interest Formula