3.10 Simple and Compound Interest: 10-minute Pack

Calculators not allowed · about 10 minutes

Name: _____ Date: ____ / ____ / _____

Answer ALL questions. Show all your working.

1 An investment of £1000 grows to £1210 after 2 years with compound interest applied annually. Work out the annual interest rate.

(2)

2 Hannah deposits £800 into an account paying 6% compound interest. At the start of the second year she adds £200 to the account. Find the total in the account at the end of the second year. Give your answer to 2 decimal places.

(3)

3 Work out 4% of £250. This represents the interest for one year. Give the interest only.

(1)

4 A car is worth £240. Its value is decreased by 5% in the first year and then decreased by 5% of its new value in the second year. Work out its value at the end of the second year.

(3)

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Mark scheme · 3.10 Simple and Compound Interest: 10-minute Pack

Question 1

method: divide 1210 by 1000 to find multiplier per 2 years then take square root or deduce yearly multiplier 1.10	**M1**
10% per year cao	**A1**

Answer: **10%**

Question 2

value after year 1: 800 x 1.06 = 848 shown	**M1**
add the deposit: 848 + 200 = 1048 and then apply 6% for year 2 or show (848 + 200) x 1.06	**M1**
1110.88 (pounds) cao	**A1**

Answer: **£1110.88**

Question 3

10 (pounds) cao	**B1**

Answer: **£10**

Question 4

first change: £228 (or multiplier 0.95)	**M1**
second change applied to the new value	**M1**
£216.60 cao	**A1**

Answer: **£216.60**

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