Simple and compound interest

How money grows, and how debt grows too

Name _____ Class _____ Date _____ Score: / 41

I can...

- [ ] I can work out simple interest on savings.
- [ ] I can work out compound interest year by year in a table.
- [ ] I can explain why starting early matters, and why interest also makes debts grow.

Key words

Interest: the reward for saving, or the cost of borrowing.

Principal: the amount you first put in or borrow.

Simple interest: interest on the principal only.

Compound interest: interest on the principal plus the interest already added.

1 True or false?

4 points

Circle True or False. Rewrite the false ones so they are true.

With simple interest, you earn the same amount of interest every year. True False

5% of £200 is £20. True False

With compound interest, you earn interest on your interest. True False

Interest is only ever paid to you. You never have to pay it. True False

2 Simple interest

8 points

Twins Zara and Idris, 13, are both savers. Show your working.

a) Zara puts £200 in an account paying 4% simple interest a year. How much interest does she earn in one year?

Working

Answer: _____

b) Zara leaves her £200 there for 3 years. How much will she have altogether?

Working

Answer: _____

c) Idris saves £350 at 2% simple interest a year for 4 years. How much interest does he earn?

Working

Answer: _____

d) Interest works on borrowing too. Their cousin borrows £500 for one year at 20% simple interest. How much must she pay back?

Working

Answer: _____

3 Compound interest, year by year

7 points

Gran puts **£1,000** into an account paying **5% compound interest** a year. Fill in the gaps.



Penny says: Each year's interest is added on, so the next year's interest is worked out on a bigger balance. To find 5%, find 10% and halve it. Round to the nearest penny.

Year	Balance at start	Interest (5%)	Balance at end
1	£1,000.00	£50.00	£1,050.00
2	£1,050.00	_____	_____
3	_____	_____	_____

a) How much interest did Gran earn in total over the 3 years? 1 mark

b) With 5% simple interest she would have earned £150. How much extra did compounding give her? 1 mark

4 Smallest to biggest

Challenge 5 points

Each starts with £100. Number them by final amount: 1 for the smallest, 5 for the biggest.

- ☐ £100 at 10% compound interest for 2 years
- ☐ £100 at 5% simple interest for 2 years
- ☐ £100 at 5% simple interest for 1 year
- ☐ £100 at 5% compound interest for 2 years
- ☐ £100 at 2% simple interest for 1 year

5 Why starting early matters

4 points

Read the story, then answer the questions.



Two cousins each save **£1,000** once and never add another penny. Both earn **5% compound interest** a year. **Ama** saves hers at age 15 and leaves it for 40 years: it grows to about **£7,040**. **Ben** saves his at age 35 and leaves it for 20 years: it grows to about **£2,653**.

a) How much more does Ama end up with than Ben? 1 mark

b) Ama saved for twice as long as Ben. Did she end up with twice as much? Explain why. 3 marks

6 Interest word search

10 points

Find the words. They can go in any direction, even backwards.

P	R	I	N	C	I	P	A	L	N	C	D
B	A	P	E	R	C	E	N	T	M	Y	E
I	A	W	P	E	L	P	M	I	S	W	H
R	H	F	B	V	Y	S	O	U	U	O	N
S	G	N	I	V	A	S	F	E	P	R	F
H	R	A	B	A	L	A	N	C	E	R	W
I	N	T	E	R	E	S	T	U	D	O	S
F	B	E	A	M	U	V	I	U	A	B	E
F	G	R	O	W	T	H	W	I	D	D	S
H	S	Y	U	P	K	T	S	K	S	V	D
H	U	L	D	E	P	O	S	I	T	O	B
W	D	N	U	O	P	M	O	C	S	M	E

- ☐ INTEREST
- ☐ COMPOUND
- ☐ SIMPLE
- ☐ PRINCIPAL
- ☐ SAVINGS
- ☐ BALANCE
- ☐ PERCENT
- ☐ BORROW
- ☐ DEPOSIT
- ☐ GROWTH

7 Which account would you choose?

3 points

You have £100. **Account A**: 4% a year, locked for 3 years. **Account B**: 2%, no lock-in.

Which account would you choose, and why?

8 Before you go

One thing I learned today

One question I still have

How sure do I feel?

Not yet | Getting there | Got it



Take it home

Ask an adult at home: does any account you know of pay interest? What is the rate? Work out the interest on **£100** for one year.

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