MGF /

Finding the principal, rate, or time of a simple loan or investment

Finding the principal, rate, or time of a simple interest loan or investment

Kira borrowed $800 from a bank for 5 years and was charged simple interest. The total interest that she paid on the loan was $320. As a percentage, what was the annual interest rate of her loan?

If necessary, refer to the list of financial formulas.

% 8%

$P = 800$
$t = 5$ years
$I = 320$
$r = ?$

$320 = 800r5$

$\frac{320}{4000} = \frac{4000r}{4000}$

$0.08 = r$

Simple interest

$I = Prt$

I = interest
P = Principal (starting amount)
r = rate (in decimal)
t = time (years)