10. Banks and Simple Interest

1. Bank is a place where we can keep our money in safe custody. At any point of time, we can take (withdraw) the required amount from the money kept by us with the bank.

2. **Types of Bank Accounts:**

The different types of bank accounts are:

(i) Savings Bank Account

(ii) Current Account

(iii) Term Deposit or Fixed Deposit Account

(iv) Recurring Deposit Account

(v) No Frills Account

- **Terminology related to simple interest:**
  1. The amount of money that is borrowed is known as principal and is denoted by P.
  2. The extra amount of money that one has to pay is known as interest and is denoted by I.
  3. The total amount of money, A that one pays back is equal to the sum of principal and interest.
  4. The simple interest (SI) on the principal (P) when borrowed for T years at R% rate of interest per year is given by the formula $SI = \frac{P \times T \times R}{100}$

  Example:
  Rashmi takes a loan of Rs 4000 from a bank at 8% rate of interest per year. Find the amount of money that Rashmi has to repay after 3 years.

  Solution:
  P = Rs 4000, R = 8% p.a., T = 3 years

  $$SI = \frac{P \times R \times T}{100} \frac{4000 \times 8 \times 3}{100} = Rs.960$$

  ∴ Amount = P + I = Rs 4000 + Rs 960 = Rs 4960

  Thus, Rashmi has to repay Rs 4960 after 3 years.

  Note: Principal remains unchanged throughout the given time period while calculating the simple interest.