SECTIONS 5-1, 5-2 Deposits and Withdrawals

To open a savings account, you must make a deposit. Every deposit you make is added to the balance of your account. Every withdrawal you make is subtracted from the balance of your account. Your bank may provide deposit and withdrawal slips for you to fill out for each transaction.

Total Deposit = (Currency + Coins + Checks) − Cash Received

1. Your account number is 718512. You wish to deposit $34 in currency, $6.25 in coins, and a check for $228.91. Complete the savings deposit slip.

COMMUNITY BANK					DOLLARS	CENTS
DATE _Today's date_ 20 ___				CURRENCY		
DEPOSIT TO THE ACCOUNT OF:				COIN		
NAME _Your name_				LIST SINGLY		
PRINT NUMBER						
0100 0059				TOTAL		

(CASH / CHECKS / DEPOSIT SLIP)

2. Your account number is 421746. You wish to deposit 120 dimes, 25 quarters, and checks for $184.63 and $196.17. You wish to receive $50 in cash. Complete the savings deposit slip.

COMMUNITY BANK				DOLLARS	CENTS
DATE _Today's date_ 20 ___			CURRENCY		
DEPOSIT TO THE ACCOUNT OF:			COIN		
NAME _Your name_			LIST SEPARATELY		
PRINT NUMBER			SUBTOTAL		
			♦ LESS CASH RECEIVED		
0100 0059 DEPOSIT SLIP			TOTAL DEPOSIT		

(Cash / Checks)

3. Your account number is 0651831. You wish to withdraw $332.16. Complete the savings withdrawal slip.

COMMUNITY BANK	
DATE _____	SAVINGS ACCOUNT NUMBER
_____ (AMOUNT IN WORDS)	DOLLARS [dollars	cents]
0100 0059	SIGN HERE _____

(WITHDRAWAL)

4. Your account number is 9841730. You wish to withdraw one hundred twenty-three dollars and sixty-four cents. Complete the savings withdrawal slip.

COMMUNITY BANK	
DATE _____	SAVINGS ACCOUNT NUMBER
_____ (AMOUNT IN WORDS)	DOLLARS [dollars	cents]
0100 0059	SIGN HERE _____

(WITHDRAWAL)

SECTION 5-3 Account Statements

Your bank may provide you with a savings account passbook. When you make a deposit or withdrawal, a bank teller records in your passbook the transaction, any interest earned, and the new balance. Your bank may mail a monthly or quarterly account statement showing all deposits, withdrawals, and interest credited to your account since the last statement date.

New Balance = Previous Balance + Interest + Deposits − Withdrawals

Fill in the table below with the new balances.

	Previous Balance	Interest	Deposit	Withdrawals	New Balance
1.	$ 504.23	$ 1.87	$ 98.25	$ 150.00	
2.	597.70	1.80	—	—	
3.	882.85	1.94	—	20.00	
4.	8,412.56	28.04	—	8,000.00	
5.	3,294.00	10.98	75.00	217.49	
6.	2,218.47	5.55	612.89	750.00	

7. Find the balance for each date on this savings account passbook.

Passbook Account Number 07-623456				
Date	Deposit	Withdrawal	Interest	Balance
1/04				$ 285.85
3/15	$ 25.00			_____
4/03			$ 2.86	_____
4/14		$175.00		_____
6/20	814.50			_____
7/03			9.53	_____
7/20	814.50			_____
9/23		125.00		_____
10/03			16.52	_____

8. You receive this savings account statement. What is the balance in your account on June 30?

Passbook Account Number 07-623456				
Date	Deposit	Withdrawal	Interest	Balance
4/08				$ 152.07
5/25	$ 261.30			
6/10	201.20			
6/30			$ 1.54	

Previous Statement		This Statement	
Date	Balance	Date	Balance
3/31	$467.35	6/30	

SECTION 5-4 Simple Interest

When you deposit money in a savings account, you are permitting the bank to use the money. The amount you earn for permitting the bank to use your money is called interest. The principal is the amount of money earning interest. The annual interest rate is the percent of the principal that you earn as interest based on one year. Simple interest is the interest paid on the original principal.

Interest = Principal × Rate × Time

1. Alice Tsongas deposited $600 in a new savings account at Bradinton Savings and Loan Association. No other deposits or withdrawals were made. After 3 months the interest was computed at an annual interest rate of 3½ percent. How much simple interest did her money earn?   _____

2. Henry Bonnacio deposited $1,000 in a new savings account at First National Bank. He made no other deposits or withdrawals. After 6 months the interest was computed at an annual rate of 6½ percent. How much simple interest did his money earn?   _____

3. On June 1, Elena Moore deposited $610 in a savings account at Metro Savings and Loan Association. At the end of November her interest was computed at an annual interest rate of 4.5 percent. How much simple interest did her money earn?   _____

4. On March 31, you opened a savings account at Main Street Savings Bank with a deposit of $817.25. At the end of October the interest was computed at an annual rate of 5¾ percent and added to the balance in your account.

   a. How much simple interest did your money earn?   _____

   b. What was your new balance?   _____

5. On February 1, the balance in your account is $516.81. On July 1, you deposit $310.90. Your bank pays 6¼ percent interest.

   a. How much interest have you earned on July 1?   _____

   b. What is your balance, including your deposit, on July 1?   _____

   c. How much interest have you earned on November 1?   _____

   d. What is your balance on November 1?   _____

Some banks calculate the interest on a daily basis. The daily interest is added to the account at the end of the month.

6. On May 1, Cleveland Livingston opened a savings account that paid 3.5 percent exact interest at Fulton Savings Bank with a deposit of $5,000. Ten days later he deposited $2,000. Fourteen days later he deposited $8,000. No other deposits or withdrawals were made. Six days later the bank calculated the daily interest.

   a. How much simple interest did his money earn?   _____

   b. How much was in the account at the end of the 30 days?   _____

SECTION 5-5 Compound Interest

Interest that you earn in a savings account during an interest period is added to your account. The new balance is used to calculate the interest for the next interest period. Compound interest is interest earned not only on the original principal but also on the interest earned during previous interest periods.

Interest = Principal × Rate × Time

Amount = Principal + Interest

Compound Interest = Amount − Original Principal

1. Michael Arthur deposited $2,900 in a new regular savings account that earns 5.5 percent interest compounded semiannually. He made no other deposits or withdrawals.

   a. What was the amount in the account at the end of 1 year?

   b. What is the compound interest?

2. Trella Alcala deposited $1,950 in a new credit union savings account on the first of the quarter. The principal earns 4.25 percent interest compounded quarterly. She made no other deposits or withdrawals.

   a. What was the amount in her account at the end of 6 months?

   b. What is the compound interest?

3. Joseph Black Bear Renfer deposited $2,400 in a new savings account on March 1. The savings account earns 6.0 percent interest compounded monthly.

   a. How much was in the account on June 1?

   b. What is the compound interest?

4. Jeanne Crawford had $9,675.95 deposited in an account paying 6¼ percent interest compounded semiannually.

   a. How much would she have in her account 2 years later?

   b. What is the compound interest?

5. You deposit $2,500 in a special savings account. The account earns interest at a rate of 3.25 percent compounded monthly.

   a. What amount will be in your account at the end of 5 months if no deposits or withdrawals are made?

   b. What is the compound interest?

SECTIONS 5-6, 5-7 Compound Interest Tables and Daily Compounding

To compound interest quickly, you can use a compound interest table, which shows the amount of $1.00 for many interest rates and interest periods. To use the table, you must know the total number of interest periods and the interest rate per period. The more frequently interest is compounded, the more interest you will earn.

Amount = Original Principal × Amount of $1.00 ← Found on table

Compound Interest = Amount − Original Principal

Use the compound interest tables below to solve the problems. Round answers to the nearest cent.

Total Interest Periods	Amount of $1.00 Interest Rate per Period		
	1.250%	1.375%	1.500%
1	1.01250	1.01375	1.01500
2	1.02516	1.02769	1.03023
3	1.03797	1.04182	1.04568
4	1.05095	1.05614	1.06136
5	1.06408	1.07067	1.07728
6	1.07738	1.08539	1.09344
7	1.09085	1.10031	1.10984
8	1.10449	1.11544	1.12649

Amount of $1.00 at 5.5% Compounded Daily, 365-Day Year					
Day	Amount	Day	Amount	Day	Amount
21	1.00316	30	1.00452	80	1.01212
22	1.00331	40	1.00604	90	1.01364
23	1.00347	50	1.00755	100	1.01517
24	1.00362	60	1.00907	120	1.01823
25	1.00377	70	1.01059	140	1.02131

1. Valley Savings and Trust pays 5 percent interest compounded quarterly on regular savings accounts. Leland Davis deposited $2,000 in a regular savings account and left it there for 1½ years. He made no other deposits or withdrawals during the period. How much interest did his money earn? _____

2. Charles Johnson deposited $4,400 in a savings account earning 6 percent interest compounded quarterly. If he makes no other deposits or withdrawals, how much will his money earn in 2 years? _____

3. On January 4, Janelle Ruskinoff deposited $2,192.06 in a savings account that pays 5.5 percent interest compounded daily. How much will her money earn in 24 days? _____

4. Tak Murakami has a savings account at City Savings Bank. The account earns 5.5 percent interest compounded daily. On February 2, the amount in his account was $580. How much will be in the account in 40 days? _____

5. On October 1, Manda Loya deposited $1,120 in a savings account that pays 5.5 percent interest compounded daily. On October 22, how much interest had been earned on the principal in her account? _____

6. You have a savings account at Federal Savings. The account earns 5.5 percent interest compounded daily. On March 6, you had $1,645.72 in your account. How much would be in the account on July 4? _____