1) Simple interest

Suppose that an amount is paid into a bank account where it is to earn interest, the future value of this investment after t time

$$V(t) = P + I$$

P: principal
I: interest

We now consider the case when interest is attracted only by the principal → Simple interest

In this case $I = \underbrace{P}_{\text{principal}} \times r \times t$

r: rate of interest
t: time (in year)