

Answer on the Question #74671, Economics / Economics of Enterprise

If you buy a car for \$10,000 with a 3year loan at 8%interest, what is the total interest on the loan?

Calculate total interest with the formula of compound interest:

$$P_i = P \left(1 + \frac{r}{100\%} \right)^n$$

P –amount of loan;

r – interest rate;

n – period of time.

$P = 10000 * (1 + 8/100\%)^3 = 12597.12\$$ - primary loan with total interest.

Total interest is $12597.12\$ - 10000\$ = 2597.12\$$

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