

Start With Principal

Find the original amount before interest or later changes.

SS.8.FL.3.5 "Identify principal as the initial amount of money upon which interest is paid."

NAME _____

DATE _____

1 READ AND MARK _____ Read it twice

YOUR JOB Underline each dollar amount that is principal, then circle dollar amounts that are interest, a later deposit, a payment, or a total balance. This helps you separate the original money from amounts that came later.

The Original Amount

- ① When people save or borrow money, interest is an extra amount connected to the money. The starting amount is called the principal. A bank may pay interest to a saver, while a lender may charge interest to a borrower. In both cases, principal means the original amount placed in the account or received in the loan. It does not include interest added later, fees, deposits made afterward, or payments already made on that original debt.
- ② Lena borrowed \$240 from a credit union to repair her bicycle. That \$240 is the principal because it is the first amount she received. At the end of the month, the credit union charges \$12 in interest. The interest is paid because of the principal, but the \$12 is not part of the original amount. If Lena later pays \$50, that payment also does not change what original principal was at the start of borrowing.
- ③ Sometimes several dollar amounts appear together, so readers must look for the time each amount entered the situation. Omar opens a savings account with \$500 on April 1. This initial deposit is the principal. By May 1, the account earns \$3 in interest, and Omar adds another \$40 from his allowance. The account balance becomes \$543. The balance is useful, but it is not the same as the principal that began the account on April 1.

2 ANSWER WITH EVIDENCE _____ Use the passage

1 What is the principal of Lena's loan?

2 Why is the \$12 charge not part of Lena's principal?

3 What is the principal in Omar's savings account?

4 Why is Omar's \$543 account balance not the principal?

3 YOUR TURN _____ Your own words

Create a savings or loan situation using three dollar amounts: an initial amount, interest, and a later deposit or payment. In two sentences, identify the principal and explain why the other amounts are not principal.

PART 1 • READ AND MARK

Underline each dollar amount that is principal, then circle dollar amounts that are interest, a later deposit, a payment, or a total balance. This helps you separate the original money from amounts that came later. Accept any marking that follows this job and points at the right text.

PART 2 • ANSWERS

#	QUESTION	ANSWER
1	What is the principal of Lena's loan?	\$240.
2	Why is the \$12 charge not part of Lena's principal?	It is interest charged at the end of the month, not the original amount Lena received.
3	What is the principal in Omar's savings account?	\$500.
4	Why is Omar's \$543 account balance not the principal?	The balance includes the original \$500 plus \$3 in interest and a later \$40 deposit.

PART 3 • YOUR TURN (SAMPLE ANSWER)

Jada opens a savings account with \$150, earns \$2 in interest, and adds \$20 later. The \$150 is the principal because it was the initial amount, while the \$2 and \$20 came later and are not principal.

Accept any reasonable original savings deposit or loan amount as the principal. The explanation should distinguish the initial amount from interest and later deposits, payments, fees, or the total balance.