



## Task Title: Understanding Interest

### OALCF Cover Sheet – Practitioner Copy

**Learner Name:** \_\_\_\_\_

**Date Started:** \_\_\_\_\_

**Date Completed:** \_\_\_\_\_

**Successful Completion:** Yes ☐ No ☐

**Goal Path:** Employment ☐ Apprenticeship ☐

Secondary School ☐ Post Secondary ☐ Independence ☐

**Task Description:** The learner will read a short article about interest rates and answer questions.

#### Main Competency/Task Group/Level Indicator:

- Find and Use Information/Read continuous text/A1.2

#### Materials Required:

- Pen/pencil and paper and/or digital device
- Computer

## Learner Information

People borrow money that is subject to interest for purchases like homes or cars. Saving money can help you earn interest. Understanding how interest rates are determined can help you determine how much it will cost to borrow money or how much you will earn through savings or investments.

Go to “What is an Interest Rate?” and read the article:

<https://www.nerdwallet.com/ca/p/article/banking/what-is-interest-rate>

## Work Sheet

**Task 1: How is interest charged on borrowed money different from interest you receive on a savings account?**

Answer:

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**Task 2: What is a key element that guides the prime rates for commercial banks?**

Answer:

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**Task 3: What is Canada's prime interest rate?**

Answer:

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**Task 4: What is the difference between a fixed interest rate and a variable interest rate?**

Answer:

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Task Title: UnderstandingInterest\_I\_A1.2

**Task 5: List two benefits of a fixed interest rate.**

Answer:

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**Task 6: Describe the difference between simple interest and compound interest.**

Answer:

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## Answers

### **Task 1: How is interest charged on borrowed money different from interest you receive on a savings account?**

Answer: If you borrow money, interest is the additional amount you will pay back. A certain percentage is added to the amount you borrow and you pay back this amount in addition to the borrowed amount. If you save or invest money, interest is the additional amount you will receive. You will be paid out more than you deposited as interest is added to the amount you have invested or saved.

### **Task 2: What is a key element that guides the prime rates for commercial banks?**

Answer: Bank of Canada (BOC)'s overnight rate/policy rate guides the prime rate which is considered the reference point for interest rates on major loans for the Big 6 Canadian banks.

### **Task 3: What is Canada's prime interest rate?**

Answer: As of July 30, 2025, Canada's prime interest rate is 4.95%

### **Task 4: What is the difference between a fixed interest rate and a variable interest rate?**

Answer: A fixed rate of interest implies that your interest rate will remain the same throughout the duration of the loan or savings/investment term. A variable interest rate means the interest rate can change, as it's tied to the bank's prime rate.

### **Task 5: List two benefits of a fixed interest rate.**

Answer:

- Gives the borrower the ability to estimate the loan's total cost and make regular payments, regardless of market fluctuations
- Ideal for people who are risk-averse and want to know exactly how much they will earn on their investments

**Task 6: Describe the difference between simple interest and compound interest.**

Answer: Simple interest is calculated using only the principal amount. Compound interest is calculated using the principal amount as well as accumulated interest income or charges.

### Performance Descriptors

| Levels | Performance Descriptors   | Needs Work | Completes task with support from practitioner | Completes task independently |
|--------|---|------------|---|------------------------------|
| A1.2   | scans text to locate information  |            |   |                              |
|        | locates multiple pieces of information in simple texts                      |            |   |                              |
|        | makes low-level inferences  |            |   |                              |
|        | makes connections between sentences and between paragraphs in a single text |            |   |                              |
|        | reads more complex texts to locate a single piece of information            |            |   |                              |
|        | follows the main events of descriptive, narrative and informational texts   |            |   |                              |
|        | obtains information from detailed reading                                   |            |   |                              |
|        | begins to identify sources and evaluate information                         |            |   |                              |

This task: Was successfully completed ☐ Needs to be tried again ☐

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Learner Comments:

Instructor (print):

Learner (print):