

Financial Literacy **Notes Chapter 7: Credit**

Sec 7.1 – 2: Account Statements & Previous Balance Method for FC

Learning Target: We are learning about account statements, finance charges & previous balance method

Success Criteria:

- I can find key information on a credit card account statement
- I can calculate the finance charge using the previous balance method
- I can calculate the new balance for the account

_____ : lists all the items you purchased in a one month period.

_____ : when your previous bill is not paid in full, the credit card company adds interest for delaying the payment.

New Balance = _____ + _____

+ _____ - (_____ + _____)

Ex1: Monica received this charge account statement on August 30th. What is her new balance?

Reference	Posting Date	Transaction Date	Description	Purchases & Advances	Payments & Credits
18434	25 July	23 July	SportWorld	108.63	
83843	25 July	23 July	SportWorld		23.42
12378	30 July	29 July	PAYMENT		50.00
98585	2 Aug	1 Aug	Old Turquoise		8.52
39871	8 Aug	5 Aug	Behemoth Bath	19.53	
45273	9 Aug	8 Aug	Makeup Hut	25.62	
61287	15 Aug	12 Aug	Quick Fill Gas & Go	19.25	
Billing Period		Previous Balance	Periodic Rate	Average Daily Balance	Minimum Payment
7/22 – 8/21		\$332.64	1.75%		30.00
Payments & Credits		Finance Charge	Purchases & Advances	New Balance	Payment Due
81.94		5.64	173.03		12 Sep

Ex2: What would the new balance be for a credit account with the given information?

Billing Period	Previous Balance	Periodic Rate	Average Daily Balance	Minimum Payment
4/1– 4/30	\$265.69	1.75%		30.00
Payments & Credits	Finance Charge	Purchases & Advances	New Balance	Payment Due
40.00	3.98	145.99		15 May

_____ : finance charges are computed based on the amount you owed on the closing date of your last statement.

_____ : monthly finance charge rate.

Finance Charge = _____ X _____ New Balance = _____ + _____ + _____ - (_____ + _____)

Ex3: Don has a charge account where the finance charge is 1.25% of the previous balance. A portion of his statement for July is shown. What is the total of his payments and credits? What is the finance charge? What is the new balance of the account?

Reference	Posting Date	Transaction Date	Description	Purchases & Advances	Payments & Credits
18434	15 July	13 July	Grady's	135.29	
83843	15 July	23 July	Grady's		49.79
12378	20 July	19 July	PAYMENT		50.00
98585	2 Aug	1 Aug	Suit Warehouse	47.35	
39871	8 Aug	5 Aug	Cologne Cabana	27.15	
Billing Period	Previous Balance	Periodic Rate	Average Daily Balance	Minimum Payment	
7/22 – 8/21	\$379.46	1.25%		30.00	
Payments & Credits	Finance Charge	Purchases & Advances	New Balance	Payment Due	
				19 Aug	

You Try: Carl has a charge account with a store that charges 1.5% of the previous balance for the finance charge. A portion of Carl’s statement is shown. What is the new balance on his account on November 13th?

Billing Period	Previous Balance	Periodic Rate	Average Daily Balance	Minimum Payment
10/14 – 11/13	\$125.60	1.5%		30.00
Payments & Credits	Finance Charge	Purchases & Advances	New Balance	Payment Due
48.75		122.15		30 Nov

Sec 7.3: Unpaid Balance Method for FC
<p>Learning Target: We are learning about finance charges & unpaid balance method</p> <p>Success Criteria:</p> <ul style="list-style-type: none"> • I can calculate the unpaid balance of a credit card statement • I can calculate the finance charge using the unpaid balance method • I can calculate the new balance for the account

_____ : compute the finance charge based on the portion of the previous balance that you have not yet paid.

Unpaid Balance = _____ - (_____ + _____)
Finance Charge = _____ X _____
New Balance = _____ + _____
+ _____ - (_____ + _____)

Ex1: Brianna's account statement had an unpaid balance of \$88. The periodic rate is 1.5%.

a. What is the finance charge?

b. What is the new balance if she has a new purchase of \$40?

Ex2: A portion of Luke's charge account statement is shown. The monthly finance charge is 1.5% of the unpaid balance.

Billing Date	Previous Balance	Payments & Credits	Unpaid Balance	Finance Charge	New Purchases	New Balance
11 Apr	\$132.40	\$40.00			\$79.55	

a. What is the unpaid balance?

b. What is the finance charge?

c. What is the new balance?

You Try: Beth has a charge account at Macy's Department Store where the finance charge is 1.75% of the unpaid balance. Find the indicated amounts on the statement below.

Reference	Posting Date	Transaction Date	Description	Purchases & Advances	Payments & Credits
18434	2 Mar	1 Mar	Linens and More	84.39	
83843	3 Mar	1 Mar	Buy More		50.00
12378	5 Mar	3 Mar	Rick's	27.83	
98585	8 Mar	4 Mar	Rick's		27.83
39871	9 Mar	7 Mar	PAYMENT		239.95
Billing Period		Previous Balance	Periodic Rate	Average Daily Balance	Minimum Payment
7/22 – 8/21		\$332.64	1.75%		30.00
Payments & Credits		Finance Charge	Purchases & Advances	New Balance	Payment Due
					20 Mar

a. What is the total for her payments and credits?

b. What is the unpaid balance?

c. What is the finance charge?

d. What is the total for her new purchases?

e. What is the new balance?

<p>Sec 7.4: Average Daily Balance Method EXCLUDING New Purchases</p> <p>Learning Target: We are learning about finance charges & average daily balance method</p> <p>Success Criteria:</p> <ul style="list-style-type: none"> • I can find the average daily balance EXCLUDING new purchases for a monthly credit card statement • I can calculate the finance charge using the average daily balance (excl. purchases) method • I can calculate the new balance for the account

_____ : the average of the account balance at the end of each day of the billing cycle.

- Average daily balance can be calculated including new purchases & excluding (not including) new purchases.

<p>Average Daily Balance = _____</p> <p>Finance Charge = _____ X _____</p> <p>New Balance = _____ + _____</p> <p>+ _____ - (_____ + _____)</p>

Average Daily Balance EXCLUDING New Purchases

Ex1: A portion of Nick’s credit card statement is shown. A finance charge was added to Nick’s account balance because he did not pay his last bill in full. The finance charge was computed using the average daily balance when new purchases were not included. Only the payment of \$44.85 affected the average daily balance. What is the average daily balance excluding new purchases? What is the new balance?

Reference	Posting Date	Transaction Date	Description	Purchases & Advances	Payments & Credits
31784	9/5	9/4	Health One	48.75	
103645	9/18	9/18	Payment		44.85
45700	9/20	9/18	Wilson's	37.85	
137465	10/1	9/30	Ed's Discount	20.99	
Billing Period		Previous Balance	Periodic Rate	Average Daily Balance	Finance Charge
8/30 – 10/2		194.85	2%	?	?
Payments and Credits		Purchases & Advances	New Balance	Minimum Payment	Payment Due
44.85		107.59	?	\$30.00	20 Oct

DATES	PAYMENT	END OF DAY BALANCE	# of DAYS	TOTAL BALANCE

Ex 2: A portion of Gina's account statement for March from Chase Credit is shown. The finance charge is computed using the average daily balance method excluding new purchases. Find the average daily balance, the finance charge and the new balance.

Reference	Posting Date	Transaction Date	Description	Purchases & Advances	Payments & Credits
103645 45700	3/20 3/27	3/19 3/26	Payment Aston Oil	81.30	24.66
Billing Period		Previous Balance	Periodic Rate	Average Daily Balance	Finance Charge
3/4 – 4/3		94.66	2%	?	?
Payments and Credits		Purchases & Advances	New Balance	Minimum Payment	Payment Due
24.66		81.30	?	\$30.00	4/16

DATES	PAYMENT	END OF DAY BALANCE	# of DAYS	TOTAL BALANCE

<p>Sec 7.5: Average Daily Balance Method INCLUDING New Purchases</p> <p>Learning Target: We are learning about finance charges & average daily balance method</p> <p>Success Criteria:</p> <ul style="list-style-type: none"> • I can find the average daily balance INCLUDING new purchases for a monthly credit card statement • I can calculate the finance charge using the average daily balance (incl. purchases) method • I can calculate the new balance for the account

_____ : the average of the account balance at the end of each day of the billing cycle.

- Average daily balance can be calculated including new purchases & excluding (not including) new purchases.

<p>Average Daily Balance = _____</p> <p>Finance Charge = _____ X _____</p> <p>New Balance = _____ + _____</p> <p>+ _____ - (_____ + _____)</p>

Average Daily Balance INCLUDING New Purchases

Ex 1: Chris has a charge account where the finance charge is computed using the average daily balance method that includes new purchases. He checks to be sure the average daily balance is correct. Find the average daily balance, the finance charge and the new balance.

Reference	Posting Date	Transaction Date	Description	Purchases & Advances	Payments & Credits
31784	9/5	9/4	Health One	48.75	
103645	9/18	9/18	Payment		44.85
45700	9/20	9/18	Wilson's	37.85	
137465	10/1	9/30	Ed's Discount	20.99	
Billing Period		Previous Balance	Periodic Rate	Average Daily Balance	Finance Charge
8/30 – 10/2		194.85	2%	?	?
Payments and Credits		Purchases & Advances	New Balance	Minimum Payment	Payment Due
44.85		107.59	?	\$30.00	10/20

DATES	PAYMENT	PURCHASE	END OF DAY BALANCE	# of DAYS	TOTAL BALANCE

Ex 2: Amanda received this statement from Von Maur. Find the average daily balance including new purchases, the finance charge and the new balance.

Reference	Posting Date	Transaction Date	Description	Purchases & Advances	Payments & Credits
103645	3/20	3/19	Happy's Grub	25.75	
45700	3/27	3/26	Aston Oil	81.30	
56789	3/27	3/26	Payment		35.00
Billing Period		Previous Balance	Periodic Rate	Average Daily Balance	Finance Charge
3/4 – 4/3		94.66	2%	?	?
Payments and Credits		Purchases & Advances	New Balance	Minimum Payment	Payment Due
35.00		107.05	?	\$30.00	4/16

DATES	PAYMENT	PURCHASE	END OF DAY BALANCE	# of DAYS	TOTAL BALANCE