

## Applications

1. Interpret the quote in the context of what you learned about deferred payments.
2. Bank of North Island offers a credit card with a 14% APR. The minimum payment is calculated by adding the monthly finance charge to 1.5% of the outstanding balance. Amanda is carrying an outstanding balance of \$5,000. Assume that she will make only the minimum payment and will not charge any purchases on the card during that period of time. What is the minimum payment for the month?
3. Josh purchased \$2,550 worth of home theater equipment on Stereo City's deferred payment plan. The plan allows the customer to make no down payment, and no payment at all for four months. If the entire balance is paid in full before the four months are up, there is no interest. If it is not paid in full within the four months, there is a finance charge and the APR is 18.6%, and that is applied each month going back to the first month. If Josh makes the payment a day after the four months had expired, what is the finance charge? Round to the nearest dollar.
4. Last month Larry had a credit card balance of \$3,031. Since it was not paid in full, there will be a finance charge next month, and the APR is 15% per year. The minimum monthly payment required was \$50, and that is what Larry paid. How much did Larry pay down his debt, if no additional purchases are made? Round to the nearest cent.
5. Examine the following portion of a credit card spreadsheet. Based upon the data displayed, fill in the missing cells.

122.29

12.74

	A	B	C	D	E	F	G
1	What is the amount owed?	\$4,000.00					
2	What is the annual percentage rate?	18					
3	What percentage of the balance is used to calculate the minimum payment?	2					
4		Statement Number	Previous Balance	Finance Charge	Pay Down Amount	Minimum Payment	New Balance
5		1					
6		2					
7		3					
8		4					
9		5					

6. An account has an opening balance of \$8,400 and an 11% APR.
- Create a spreadsheet similar to the one in Exercise 5. Calculate the minimum payment by adding 1.75% of the outstanding balance to the monthly finance charge. The minimum payments must be at least \$15.
  - Create a second spreadsheet with fixed payments of \$300 per month.
  - Use the information to complete the following warning table included on a credit card statement.

If you make no additional charges using this card and each month you pay . . .	You will pay off the balance shown on this statement in about . . .	And you will end up paying an estimated total of . . .
Only the minimum amount due	___?___ months approximately ___?___ years	\$ ___?___
\$300	___?___ months approximately ___?___ years	\$ ___?___ (Savings = \$ ___?___)

7. Lou has an outstanding balance of \$1,200. His charge card has a 12% APR. He plans on making no purchases using the card until the bill is completely paid off. How long will it take him if he pays a fixed rate of \$200 per month?
8. Last month Alana had a credit card balance of \$903. Since it was not paid in full, there will be a finance charge next month, and the APR is 18% per year. The minimum monthly payment required was \$25, but Alana paid twice that amount. How much did Alana pay down her debt, if no additional purchases were made? Round to the nearest cent.

\$37.21