

\$3,000 balance 1/1

1,000 payment 1/15

Purchases on 1/18 for

\$250

APR:
14.99%

(Refund)

→ Credit issued 1/25
for \$100

④ What is his ending
credit card balance
before finance
charges on 1/3/09

$$3,000 - 1,000 + 250 - 100$$

$$1/3/09 = \$2,150$$

calculate finance

charges (14.99%)
annual interest

② Previous balance method

$$3,000 \times .1499 \times \frac{1}{12}$$

\$37.47

Unpaid balance method

$$3,000 - 1,000 - 100$$

$$= 1,900$$

Balance for
unpaid balance
method

$$1,900 \times .1499 \times \frac{1}{12}$$

$$= \$23.73 \text{ interest}$$

Average Daily Balance Method

1/11 - 3,000 1/15 - payment \$1,000

1/18 - purchase 250 1/25 - credit \$100

Dates	Balance	# Days	Total for avg
1/11-1/14	3,000	4	42,000
1/15-1/17	2,000	3	6,000
1/18-1/24	2,250	7	15,750
1/25-1/31	2,150	7	15,050
Total		31	78,800

Average $\frac{78,800}{31} = \$2,541.90$
Per day

$$2,541.90 \times .1499 \times \frac{1}{12}$$

$$= \$31.75$$

interest

Last month Jules had a credit card balance of \$4,920. Since it was not paid in full, there will be a finance charge next month. The APR is 14% per year. Jules paid the minimum monthly payment of \$70 that was required. Jules was puzzled when his next bill was not \$70 lower than the previous balance of \$4,920, as he had expected. How much lower was the balance on Jules' next statement, if no extra purchases were made?

4,920 balance 14% APR

Payment = \$70

$$\textcircled{1} \quad 4920 - \underset{\text{Pymt}}{70} = 4850$$

$$\textcircled{2} \quad \text{Finance charge: } 4850 \times \frac{.14}{12} = 56.58$$

$$\textcircled{3} \quad \text{Pymt} - \text{finance chg} = \text{reduction}$$

$$70 - 56.58 = \textcircled{\$13.41 \text{ decrease}}$$

$$\textcircled{4} \quad \text{New balance: } 4920 - 70 + 56.58 =$$

$$\textcircled{= 4906.58}$$

Cecilia purchased \$7,630 worth of items on a deferred payment plan. The plan allows the customer to make no down payment, and no payment for three months.

If the entire \$7,630 is paid in full before three months, there is no interest.

If it is not paid in full within the three months, there is a finance charge and the APR of 21.6% is applied each month going back to the first month.

a) If Cecilia makes the full payment a week after the three months expired, what is the finance charge?

b) If Cecilia makes the payment a week BEFORE the 3 months expired, what is the finance charge?

$$\text{Month 1} \quad 7630 \times \frac{.216}{12} = 137.34$$

$$\text{End Balance} = 7630 + 137.34$$

$$= 7767.34$$

$$\text{Month 2} \quad 7767.34 \times \frac{.216}{12} = 139.81$$

$$\text{End} = 7907.15$$

$$\text{Month } 3 \quad 7907.15 \times \frac{2/6}{12} = 142.33$$

$$\text{End } \underline{8049.48}$$

$$\text{Finance charges} = \text{Month } 3 - \text{beginning}$$

$$8049.48 - 7630 = \underline{419.48}$$

⑥ Finance charges = \$ paid before due date

