

Applications

Credit cards are like snakes: Handle 'em long enough, and one will bite you.

—Elizabeth Warren, U.S. senator

TEACH

Have students work on Exercises 2–7 with a partner or in a small group. Walk around the room listening to the discussion that ensues. Misconceptions about terms and procedures may surface that you will need to address before assigning any further exercises.

Exercises 2–7

Exercises 2–7 lead students through the completion of the statement through a guided approach. An incorrect answer in the early stages here could affect the subsequent answers.

ANSWERS

1. Senator Warren warns us of the potential dangers of credit cards. Suggests that credit cards are intended to take advantage of consumers.

- How might the quote apply to what you have learned?
Use the FlashCard statement to answer Exercises 2–7.

ACCOUNT INFORMATION								
Account Number		4-10700000		Billing Date	30 May	Payment Due	8 Jun	
TRANSACTIONS						DEBITS / CREDITS (-)		
9 MAY	3291684271	Fanelli Furs				\$975.00		
12 MAY	594683219	Brooklyn Pets				\$32.50		
15 MAY	7677095385	Maple Garage				\$178.21		
18 MAY	8765713281	PAYMENT				-\$150.00		
21 MAY	321447162	Caruso's Restaurant				\$41.53		
SUMMARY		Previous Balance	Payments / Credits	New Purchases	Late Charge	Finance Charge	New Balance	Minimum Payment
		\$420.50	-\$150.00	\$1,227.24	\$0.00	\$19.80	\$1,517.54	\$30.00
Total Credit Line		\$ 3,000.00		Average Daily Balance	# Days in Billing Cycle	APR	Monthly Periodic Rate	
Total Available Credit		\$ 1,661.51		\$1,199.97	30	19.8%	1.65%	

- How many purchases were made during the billing cycle? **4**
- What is the sum of all purchases made during the billing cycle? **\$1,227.24**
- When is the payment for this statement due? **June 8**
- What is the minimum amount that can be paid? **\$30**
- How many days are in the billing cycle? **30**
- What is the previous balance? **\$420.50**
- Rollie has a credit card with a credit limit of \$4,000. He made the following purchases: \$425.36, \$358.33, \$377.11, and \$90.20. What is Rollie's available credit? **\$2,749**
- Rebecca has a credit limit of \$6,500 on her credit card. She had a previous balance of \$398.54 and made a \$250 payment. The total of her purchases is \$1,257.89. What is Rebecca's available credit? **\$5,093.57**
- The APR on Leslie's credit card is currently 21.6%. What is the monthly periodic rate? **1.8%**
- Sheldon's monthly periodic rate is 1.95%. What is the APR? **23.4%**
- Zea has a credit limit of \$2,000 on her credit card. Each month, she charges about \$200 and makes a payment of \$125.
 - Estimate the number of months that Zea can continue this pattern until she reaches her credit limit. **27**
 - Consider that part of the \$125 Zea pays each month will be for finance charges. How will the number of months from part a be affected by these charges? **The number of months will be less than 27.**

TEACH

Exercises 14–18

This cluster of exercises focuses on the summary section of the credit card statement. Consider completing Exercise 13 with the entire class before assigning the remaining problems.

ANSWERS

- 14a. \$200
- 14b. \$1,358.73
- 14c. \$1,381.31
- 14d. \$3,618.69

13. Examine this portion of the credit card summary.

Average Daily Balance	# Days in Billing Cycle	APR
W	X	$Y\%$

- a. Express the sum of the cycle's daily balances algebraically. WX
- b. Express the monthly periodic rate as an equivalent decimal without the % symbol. $\frac{Y}{1200}$

14. Fill in the missing amounts for a–d. See margin.

ACCOUNT INFORMATION							
Type	Revolving	Account Number	234 98765 90	Billing Date	16 Aug	Payment Due Date	1 Sep
TRANSACTIONS							DEBITS / CREDITS (–)
6 AUG	Meghan's Shop						\$85.63
7 AUG	Payment						–\$63.00
8 AUG	Joe's Italian Restaurant						\$47.60
10 AUG	University of New York						\$855.00
15 AUG	SkyHigh Airlines						\$370.50
16 AUG	Payment						–\$137.00
SUMMARY	Previous Balance	Payments / Credits	New Purchases	Late Charge	Finance Charge	New Balance	Minimum Payment
	\$215.88	a.	b.	\$0.00	\$6.70	c.	\$25.00
Total Credit Line			\$ 5,000.00	Average Daily Balance	# Days in Billing Cycle	APR	Monthly Periodic Rate
Total Available Credit			d.	\$446.41	30	18%	1.5%

15. Examine the summary section of the monthly credit card statement below. Use the first five entries to determine whether the new balance is correct. If it is incorrect, write the correct amount. **Incorrect; it should be \$388.01**

SUMMARY	Previous Balance	Payments / Credits	New Purchases	Late Charge	Finance Charge	New Balance	Minimum Payment
	\$359.02	–\$80.00	\$103.65	\$0.00	\$5.34	\$548.01	\$18.00

16. Check the new balance entry on the monthly statement below by using the first five entries. If the new balance is incorrect, write the correct amount. **Correct**

SUMMARY	Previous Balance	Payments / Credits	New Purchases	Late Charge	Finance Charge	New Balance	Minimum Payment
	\$424.41	–\$104.41	\$103.38	\$23.00	\$7.77	\$454.15	\$54.00

17. A credit card statement is modeled by the following spreadsheet. Entries are made in columns A–F. Write the formula to calculate the available credit in cell G2. **=F2–(A2–B2+C2+D2+E2)**

	A	B	C	D	E	F	G
	Previous Balance	Payments	New Purchases	Late Charge	Finance Charge	Credit Line	Available Credit
1							
2							

18. Determine the amount of the payment made on the following credit card. **\$250**

SUMMARY	Previous Balance	Payments / Credits	New Purchases	Late Charge	Finance Charge	New Balance	Minimum Payment
	\$939.81		\$125.25	\$3.00	\$15.38	\$833.44	\$25.00

19. The previous balance after the last billing cycle is represented by A , recent purchases by B , payments by C , finance charge by D , late charge by E . Express the relationship among the variables that must be true in order for the new balance to be \$0.00. **$A + B + D + E = C$**