

Chapter 7 Charge Accounts and Credit Cards

Lesson 7.1 Account Statements



Mathematics

When you have a credit card or charge account, you receive a monthly statement. The statement lists all transactions that were processed by the closing date for that month. You can also review your statement online and make payments using your account's electronic transfer of funds feature. If your previous bill was not paid in full by the closing date, a finance charge is added.

$$\text{New Balance} = \text{Previous Balance} + \text{Finance Charge} + \text{New Purchases} - (\text{Payments} + \text{Credits})$$

1. What is the new balance for the credit statement shown?

Billing Date	Previous Balance	Finance Charge	Payments & Credits	New Purchases	New Balance
10/01/--	\$139.50	\$2.32	\$45.00	\$29.98	

2. What is the new balance for the credit statement shown?

Billing Date	Previous Balance	Finance Charge	Payments & Credits	New Purchases	New Balance
12/11/--	\$185.74	\$2.71	\$70.94	\$49.80	

3. You received this monthly statement from Bank Card. What is your new balance? Complete the account statement. Previous balance of \$716.45; payments of \$150 and \$75; new purchases of \$29.98, \$129.90, and \$10.46; finance charge of \$12.54.

Billing Date	Previous Balance	Finance Charge	Payments & Credits	New Purchases	New Balance
02/01/--					

4. Complete the account statement. Previous balance of \$78.80; payment of \$78.80; new purchases of \$24.60 and \$54.98; no finance charge.

Billing Date	Previous Balance	Finance Charge	Payments & Credits	New Purchases	New Balance
04/01/--					

5. Complete the account statement. Previous balance of \$410.91; payments of \$150 and \$150; return credit of \$21.90; new purchases of \$71.80, \$21.90, \$116.60, \$10.49, \$51.80, and \$6.75; finance charge of \$7.19.

Billing Date	Previous Balance	Finance Charge	Payments & Credits	New Purchases	New Balance
06/01/--					

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Lesson 7.2 Finance Charge: Unpaid-Balance Method



Mathematics

Some companies use the unpaid-balance method of computing finance charges. In this method, the finance charge is a percentage of the unpaid balance.

$$\text{Unpaid Balance} = \text{Previous Balance} - (\text{Payments} + \text{Credits})$$

$$\text{Finance Charge} = \text{Unpaid Balance} \times \text{Periodic Rate}$$

$$\text{New Balance} = \text{Unpaid Balance} + \text{Finance Charge} + \text{New Purchases}$$

Complete the account statements below using the unpaid-balance method.

- Rosie Lane has a charge account at the Cosmopolitan Department Store, where the periodic rate is 1.58%. A portion of her account statement is shown.

Billing Date	Previous Balance	Finance Charge	Payments & Credits	New Purchases	New Balance
05/20/--	\$194.06		\$61.50	\$29.80	

- You have a charge account with a periodic rate of 2.08%. Your monthly statement shows purchases totaling \$416.49 and a payment of \$750.00.

Billing Date	Previous Balance	Finance Charge	Payments & Credits	New Purchases	New Balance
05/20/--	\$981.35		\$750.00	\$416.49	

- The periodic rate is 2.0%; previous balance is \$291.84; payment of \$200.00; new purchases of \$17.40, \$17.70, and \$46.04.

Billing Date	Previous Balance	Finance Charge	Payments & Credits	New Purchases	New Balance
07/01/--					

- ALGEBRA** Ben Shield's credit card uses the unpaid-balance method to compute the finance charge at a monthly periodic rate of 1.875%. During the monthly billing cycle, Ben charged \$238.75, made a payment of \$300.00, and had a finance charge of \$7.99. Find his unpaid balance, previous balance, and new balance.

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Lesson 7.3 Finance Charge: Average-Daily-Balance Method



Mathematics

Most companies granting credit compute the finance charge using the average-daily-balance method - *new purchases included*. *New purchases included* means that any new purchase is added into the balance at the end of each day. In other words, the daily balance equals the previous day's balance plus new purchases minus the payments and credits. The finance charge is calculated by multiplying the periodic rate by the average daily balance.

$$\text{Average Daily Balance} = \frac{\text{Sum of Daily Balance}}{\text{Number of Days}}$$

$$\text{Finance Charge} = \text{Average Daily Balance} * \text{Periodic Rate}$$

$$\text{New Balance} = \text{Unpaid Balance} + \text{Finance Charge} + \text{New Purchases}$$

1. a. Fill in the table below.

Billing Periods	Payments	Purchase	End-of-day Balance		Number of Days	Sum of Balance
09/01–9/10			\$410.20	×		
09/11		\$125.80	536.00	×		
09/12–9/20			536.00	×		
09/21	\$150.00		386.00	×		
09/22-09/30			386.00	×		
Totals						

- b. What is the average daily balance? _____
- c. If the periodic rate is 1.5%, what is the finance charge? _____
- d. What is the new balance? _____
2. **ALGEBRA** LaToya Barnes' credit card uses the average-daily-balance-including-purchases method of computing finance charges. Her card has a monthly periodic rate of 1.76% and shows a finance charge of \$7.64. Find her average daily balance for the past billing cycle. _____