Credit Cards and Store Promotions







credit

An agreement in which a borrower receives something of value, and agrees to pay for it later.

advance

A withdrawal of cash from an ATM or bank teller charged to a credit card.

Interest is usually calculated from the day of the withdrawal.



ONLINE OF THE PARTY OF THE PART A partial payment sometimes required at the time of a purchase.

finance charge

The total amount of interest paid to borrow a sum of money.

Credit Card Lingo....



credit limit The maximum amount of credit that a financial institution or other lender will extend.

minimum payment

The amount of money the user must pay in order to retain usability of the credit card

annual fee A yearly fee, usually ranging from \$15 to \$300, that's charged by the credit card company for the convenience of the credit card.

**Not all credit cards have an annual fee.



Interest is NOT charged on your credit card if you pay the balance every month!!

PURCHASE!!



Interest is calculated
ONLY if
the balance of the credit
card has not been paid
by the due date.

If you don't pay the full balance, interest is calculated from the date of each purchase.

CASH ADVANCE!!

Interest is calculated starting the day of the withdrawal



There is no grace period!!

Calculate the minimum payment, and the interest on the following credit card. (5.00% or \$10.00, whichever is greater).

min payment

Unpaid balance:

\$642.00 P= 642.00

Interest rate per annum:

19.95% per annum r = 0.1995

Time:

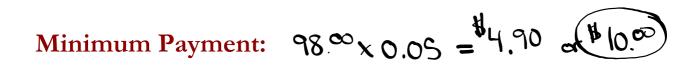
25 days + = 35

Minimum Payment: $642 \times 0.05 = \$32.10$ or \$10.00

Calculate the minimum payment, and the interest on the following credit card. (5.00% or \$10.00, whichever is greater).

Unpaid balance: \$98.00 P = 98

Time: 20 days t = 30



Interest: = $$98.00 \times 0.1875 \times 20/365$ = $$98.00 \times 0.1875 \times 0.05479452$ = \$1.01 Calculate the minimum payment and the interest on the following credit card. (5.00% or \$10.00, whichever is greater).

Unpaid balance: \$823.50 P = 833.50

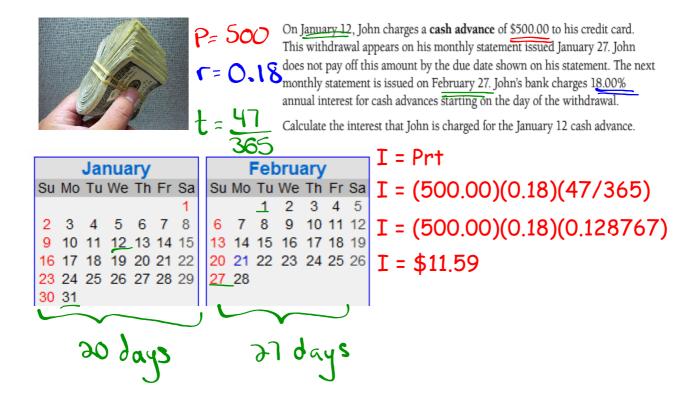
Interest rate per annum: 21.50% per annum (= 0.3)50

Time: 12 days $t = \frac{D}{360}$

Minimum Payment: \$833.50 x 0.05 41.18 or \$10.00

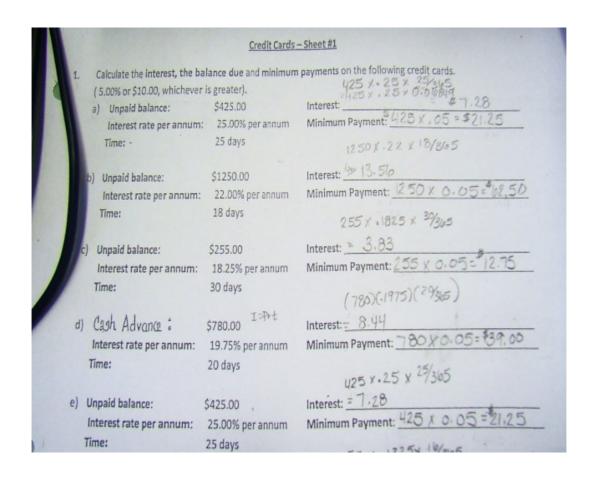
Interest: = $\$823.50 \times 0.2150 \times 12/365$ = $\$823.50 \times 0.2150 \times 0.032876712$

= \$5.82





Check out the sheet. :)



Time:	25 days	55 x . 1325 x 19/365
f) Unpaid balance: Interest rate per annum: Time:	\$55.00 13.25% per annum 16 days	Interest: <u>- 0.32</u> Minimum Payment: <u>55 × 0.05 = 2.15</u> 155 × .1825 × 28/365
g) Unpaid balance: Interest rate per annum: Time:	\$155.00 18.25% per annum 28 days	Interest: = 2.17 Minimum Payment: 55 x 0.05 = 7.75
n) Cash Advance : Interest rate per annum: Time:	\$80.00 (= Prt 19.25% per annum 19 days	Interest: 000 = 0.80 Minimum Payment: 35 x 0.05=\$4.00
i) Unpaid balance: Interest rate per annum: Time:	\$99.00 18.25% per annum 29 days	Interest: = 1.44 Minimum Payment: 99 x 0.05 = 4.95
i) Cash Advance: Interest rate per annum: Time:	\$180.00 13.75% per annum 16 days	Interest: = 1.08 Minimum Payment: 180 x 0.05 = 9.00

- Jennifer's credit card statement on Oct. 10th states that her previous balance is \$350
from a bedroom set she purchased on Sept. 1st. The credit card charges 5% for a
minimum payment.

Minimum Payment on Statement:

Balance Owing on Statement (40 days):

- On Oct. 28th she buys new bedding for \$150.00.
- How much does Jennifer owe on her credit card Nov. 5th?



Interest on previous balance (18 days):	
Interest on new purchase (9 days):	
Total Interest	
Balance Owing:	

- His next credit card statement minimum payment of %5.	•	•		
Minimum Payment:				
Balance Owing:			MAR	
- On April 17th he buys an en- - How much does Sam owe on			24.50, which he a	lso charges .
Interest on previous balance	(24 days):			-
Interest on new purchase	(9 days):			_
Tota	Interest			
Balance Owing:				



Jane is charged 19.50% per annum on her credit card balances. She uses her credit card, which has no previous balance, to purchase a new wood stove that costs \$2100.36. Her next credit card statement is dated September 30 and she pays only the minimum payment (5% of her balance).

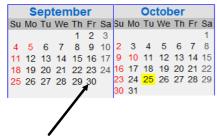
On October 5, Jane makes another purchase of \$450.00 with her credit card.

How much money will Jane owe on October 7? She makes no other purchases with her credit card. (Oct. 1 - 7)

Information:

Unpaid balance + interest + purchase + interest

\$ + \$ ` + \$ ` + \$
\$



Calculate minimum payment. (5%)

\$

Subtract minimum payment from balance.

Jane is charged 19.50% per annum on her credit card balances. She uses her credit card, which has no previous balance, to purchase a new wood stove that costs \$2100.36. Her next credit card statement is dated September 30 and she pays only the minimum payment (5% of her balance).

On October 5, Jane makes another purchase of \$450.00 with her credit card.

How much money will Jane owe on October 7? She makes no other purchases with her credit card. (Oct. 1 - 7)

Calculate interest on unpaid balance.

$$I =$$
\$

Because she didn't pay the bill in full she will have to pay daily interest on any new purchases

$$I =$$
\$

$$I =$$
\$



Unpaid balance + interest + purchase + interest





Bank of ATLANTIC CANADA Customer Name: Card Number: Statement Date: Previous Statement: Laurie Smith 999 8888 7777 1234 April 2, 2011 March 2, 2011

Transaction date	Posting date	Activity description	Amount (\$)
PREVIOUS STATEMENT BALANCE			\$1428.00
Mar 4	Mar 5	PAYMENT - THANK YOU	-\$1428.00
Mar 4	Mar 5	Flights Canada	\$1676.19
Mar 4	Mar 5	Sleep Well Hotel St. John	\$223.59
Mar 4	Mar 5	Sushi St. John	\$63.79
Mar 5	Mar 6	Gas Moncton	\$55.00
Apr 1	Apr 2	Best Save Foods Moncton	\$135.45
Apr 1	Apr 2	Quality Books	\$57.50

Payment information		Calculating your balance	
Minimum payment	\$110.58	Previous balance	\$1428.00
Payment due date	Apr 28	Payments & credits	-\$1428.00
Credit limit	\$5500.00	Purchases	\$2211.52
Available credit	\$3288.48	Cash advances	\$0.00
Annual interest rate	18.50%	Interest	\$0.00
		Other fees	\$0.00
		NEW BALANCE	\$2211.52

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- 1. What was the previous balance on Laurie's credit card?
- 2. The payment is shown as -\$1428.00. Why is it a negative number?
- 3. How was the value of \$2211.52 calculated for the purchases?
- 4. Did Laurie have to pay any interest in March? Explain.
- 5. How was the minimum payment calculated?
- 6. What payment will she have to make on or before April 28 so that she does not have to pay interest? Explain.
- 7. How is the available credit calculated?

How many days??



There is no overlap on the dates....



so... every day is counted.

From

August 27 to September 26

there are ____ days.