

**Before we begin, are there any questions from last day's work?**

## Today's Learning Goal(s):

By the end of the class, I will be able to:

- a) Understand the pros, cons and vocabulary for using credit cards.
- b) Use a credit card statement to calculate the minimum payment due and the interest charged if overdue.

## Submit Dec. 9 and Dec.12 Homework

Fri. Dec. 9	8.2 Compound Interest	pp. 432-434 #2, 3, 6, 8, 12, 15
Mon. Dec. 12	8.3 Present Value	pp. 439-441 #2ab, 4, 6, 7, 9, 10, 13, 16a

MBF 3CI **9.3 Manage Credit Cards**Date: Dec. 16/16

**Credit cards can be a good tool if managed properly.  
Otherwise, they can be dangerous and get you into trouble financially.**

**Credit cards give you access to cash, and allow you to make purchases  
you may not be able to afford otherwise.**

**There is often an annual fee for holding the card,  
and there is a high interest rate.**

**Bank credit cards are around 19%  
Department store credit cards are around 28%**

**Most credit cards compound interest **daily** on overdue accounts!!**

**Be careful. If necessary, only have 1 major credit card  
i.e.) a Visa or Mastercard  
(and don't get tempted into department store promotions.)**

Click the blue dot below to show the video "Credit, Borrowing and Debt". (36 min.)  
(You will need your username (Waterworks login) and password)

**Stop at 9:03**

[http://www.learn360.com/ShowVideo.aspx?  
FromAdvancedSearch=true&GradeLevel=3360056&lid=13840544&SearchText=credit&ID=930118](http://www.learn360.com/ShowVideo.aspx?FromAdvancedSearch=true&GradeLevel=3360056&lid=13840544&SearchText=credit&ID=930118)



Click the blue dot below to show the video "You Decide - Using Credit". (24 min.)  
(You will need your username (Waterworks login) and password)

**Start at 11:36**

**Stop at 14:10**

[http://www.learn360.com/ShowVideo.aspx?  
FromAdvancedSearch=true&GradeLevel=3360056&lid=13840544&SearchText=credit&ID=1098435](http://www.learn360.com/ShowVideo.aspx?FromAdvancedSearch=true&GradeLevel=3360056&lid=13840544&SearchText=credit&ID=1098435)



Click the blue dot below to show the video "Give Yourself Some Credit: Paying on Time". (16 min.)  
(You will need your username (Waterworks login) and password)

<http://www.learn360.com/ShowVideo.aspx?ID=131858&SearchText=Give+Yourself+some+Credit>



**Definitions:** The following terms are associated with credit card bills:

**Previous balance** or **Balance:** the amount owing from your last bill.

**Credit limit:** the maximum amount of money that can be charged to a credit card.

**Available credit:** Credit limit – Balance

**New balance:** What is currently owed (including interest, if applicable).

**Minimum payment:** The least amount of money the credit card company expects as the payment toward the bill.

**Billing date** or **Due Date:** When the bill must be paid by, before interest is accrued.

**Transaction Date:** The actual date when something is purchased or when cash is withdrawn.



**Posting Date:** The date that a purchase, cash advance or payment is actually recorded on an account. It is usually within 48 hours of the transaction date.

**Grace Period:** a length of time, often days, during which no interest is charged.  
If the balance is paid in full, then no interest is charged during the grace period.

***If a payment is made in full by the billing date, no interest is charged.***

***Unpaid balances are charged interest from the transaction date, compounded daily!***

Ex. 1 Use the statement below to answer the following questions.

			
Rocco Martone 46 Marietta St. Meiohmtown, ON P6C 2H9	Account Number:	5446 xxxx xxxx 3230	
	Credit Limit:	\$5700	
	Daily ABM Cash Advance Limit:	\$1000	
	Annual Interest Rate:	<b>18.5%</b>	
	Annual Fee:	0	
Grace Period:	21 days		
Cards Issued:	1		
Minimum Payment:	greater of \$10 or 3% of balance		

- a) A statement is issued to Rocco on the 7<sup>th</sup> of each month.  
On what date each month will the payment be due? 27<sup>th</sup>
- b) On November's statement, Rocco has a balance of \$94.73.  
Determine his minimum payment.  
∴ his minimum payment in November is \$10  
*Handwritten: \$10 × 0.03 → 2.849, -2.85*
- c) On December's statement, Rocco has a balance of \$375.61.  
Determine his minimum payment.  
∴ his minimum payment in December is \$11.27  
*Handwritten: 0.03 / 11.27*
- d) If it takes two days to process his payment,  
what is the latest date that Rocco can pay December's bill and not be overdue? Dec. 26<sup>th</sup>
- e) If interest is calculated and compounded daily, determine the daily interest rate.  
(Round your answer to 4 decimal places) 0.0050  
*Handwritten: 0.185 / 365*
- f) Calculate the interest charged on December's bill if it is paid in full five days after the due date.  
Note: Rocco paid his November bill in full before the due date.  
He made one new purchase for \$375.61 on November 18  
*Handwritten: Nov. 18 - Jan. 2, 45 days late*  
 $A = ?$   
 $P = 375.61$   
 $i = \frac{0.185}{365}$   
 $n = 45$   
 $A = 375.61 \left(1 + \frac{0.185}{365}\right)^{45}$   
 $= 384.27$   
 $I = 384.27 - 375.61$   
 $= \$8.66$   
∴ the interest charged on December's bill is \$8.66

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Extra...What if the balance were \$3000.  
Calculate the interest due after:  
a) 5 days late b) 15 days late

\$69.19

\$92.61

