

# Applications

*The best way to deal with credit card debt is to educate yourself.*

Mark Rosen, Author

- How might the quote apply to what you have learned?
- Ralph just received his June FlashCard bill. He did not pay his May bill in full, so his June bill shows a previous balance and a finance charge. The average daily balance is \$470, and the monthly periodic rate is 1.5%. What should Ralph's finance charge be?
- Lauren did not pay her January FlashCard bill in full, so her February bill has a finance charge added on. The average daily balance is \$510.44, and the monthly periodic rate is 2.5%. What should Lauren's finance charge be on her February statement?
- Jennifer did not pay her FlashCard bill in full in September. Her October bill showed a finance charge, and she wants to see whether or not it is correct. The average daily balance is \$970.50, and the APR is 28.2%. Find the finance charge for her October statement.
- Daniyar paid his April FlashCard with an amount equal to the new purchases shown on his bill. His May bill shows an average daily balance of \$270.31 and a monthly periodic rate of 1.95%. What is the finance charge on Daniyar's May statement?
- Use Mark Gilley's FlashCard statement. There is an error in his bill. The average daily balance, finance charge, available credit, and new balance amounts are not filled in. You can find a copy of the blank calendar at [www.cengage.com/school/math/financialalgebra](http://www.cengage.com/school/math/financialalgebra).
  - What is Mark's average daily balance?
  - What is Mark's finance charge?
  - What is Mark's new balance?
  - What is Mark's available credit?
  - If the \$200 payment had been posted on 6/13, would Mark's finance charge for this billing cycle have been higher or lower?
- After Wade paid his May credit card bill, he still had a balance of  $z$  dollars. He made no additional payments or purchases before he received his next bill. The monthly periodic rate on this account is 2.015%. What expression represents the finance charge on his June statement?

Mark Gilley				700 West Street Maintown, FL			
ACCOUNT INFORMATION							
Account Number		7-6231-491		Billing Date		26 Jun	
				Payment Due		10 Jul	
TRANSACTIONS						DEBITS / CREDITS (-)	
31 May	63214987261	Linda's Art Shop					\$251.00
12 Jun	62115497621	Artisign's Inc.					\$72.50
18 Jun	73216532116	Payment Thank you					\$200.00
20 Jun	73162225142	Sylvart Corp.					\$18.50
SUMMARY	Previous Balance	Payments / Credits	New Purchases	Late Charge	Finance Charge	New Balance	Minimum Payment
	\$800.00	\$200.00	\$342.00	\$0.00			\$25.00
Total Credit Line			\$ 6,000.00		Average Daily Balance	# Days in Billing Cycle	APR
Total Available Credit						31	18%
							1.5%

8. Ed Lubbock's FlashCard bill is below. There are entries missing.

Ed Lubbock						1234 Algebra Street Euclid, WA	
ACCOUNT INFORMATION							
Account Number 7-6234712				Billing Date 10 Dec		Payment Due 21 Dec	
TRANSACTIONS						DEBITS / CREDITS (-)	
24 NOV	632174293	Rusty's Rib Palace				\$48.00	
1 DEC	321446253	Payment				-\$100.00	
6 DEC	333261114	Petrela Sailboats				\$30.00	
SUMMARY	Previous Balance	Payments / Credits	New Purchases	Late Charge	Finance Charge	New Balance	Minimum Payment
	\$421.50	\$100.00	\$78.00				\$30.00
Total Credit Line \$ 1,000.00				Average Daily Balance	# Days in Billing Cycle	APR	Monthly Periodic Rate
Total Available Credit					30	19.8%	1.65%

- What is Ed's average daily balance?
- What is Ed's finance charge?
- What is Ed's new balance?
- What is Ed's available credit?
- If the \$30 charge to Petrela Sailboats had been posted on 12/9, would the finance charge be higher or lower for this billing cycle? Explain.

9. Examine the following 21-day credit calendar. The opening balance is Y dollars. On March 23, a purchase of X dollars was made. On March 28, a payment of Z dollars was made. On April 4, a purchase of W dollars was made.

MARCH						
Y	Y	Y	Y	Y	Y	Y
16	17	18	19	20	21	22
+ X					- Z	
23	24	25	26	27	28	29
APRIL						
					+ W	