



Money

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By Nancy Wilkinson

Lesson 5
The Credit Card

Objective:

Students will understand the credit card statement
Students will balance a credit card statement

Materials:

Reading activity lesson 8

Opening Activity:

Have the students read silently or as a class the reading from lesson 8. Be sure to answer questions from the text.

Activity:

Figure the daily interest paid on the credit card. Follow the instructions on the lesson worksheet.

Closure:

Calculate the interest for various credit balances. Some examples are shown below:

- 1) \$234 at 10%
- 2) \$3334.55 at 5%
- 3) \$124.55 at 6.34%
- 4) \$1535.26 at 18.3%



Lesson 5 Reading

Another way to spend money is with a credit card. In 1993, an estimated 72% of all U.S. households had one or more credit cards. But credit hasn't been nearly so popular abroad. In Germany, only 5% of the households use credit cards. Why do you think the United States uses credit cards more often than other countries? The credit card has a number on the front. The same number is written in magnetic code on the back. When the card is scanned, the number is read and the amount you charged is then posted to an account. You can charge up to a set limit by the credit card company. As you continue to charge and pay your bill, the limit will increase. Monthly you receive a bill for the purchases made during the previous month and any outstanding balance. You can pay the entire bill or a portion of the bill. If you pay just a portion of the bill, you will be charged interest on any outstanding balance. The interest rates vary from credit card to credit card. They can be as little as 5% or as much as 21%.

The transaction date is when you made the purchase. The post date is when the card company charged your account.

This is how much you can charge.

REALITY SELECT PLANTINUM CARD				
Account Number		5555 5555 5555 5555		Customer Service: 1-800- EASY CSH
Total Credit Line	Available Credit Line	Cash Advance Limit	Available Cash Limit	New Balance
\$15,000.00	\$10,562.63	\$2900	\$2900	\$4,437.37
Statement Closing Date	Amount Over Credit Line	Past Due	Purch/Adv Minimum Due	Minimum Amount Due
7/19/05	\$0.00	\$0.00	\$45.00	\$45.00
Sales Date	Post Date	Reference Number	Activity Since Last Statement	Amount
18-Jun	19-Jun	4640428	Payment	-500.00
19-Jun	20-Jun	6548410	Body Thinning Salon	200.00
20-Jun	21-Jun	4045015	Walmart	150.00
21-Jun	22-Jun	8201978	Billy Bob's	25.00
22-Jun	23-Jun	3737759	Target	235.50
23-Jun	24-Jun	639891	Better Buy	75.25
24-Jun	25-Jun	6482794	Mama's Pizza	125.52
25-Jun	26-Jun	9628319	Starfish Oil	25.36
26-Jun	27-Jun	1838276	Bordering Books	45.87
27-Jun	28-Jun	5819148	Starbucks Coffee	46.98
28-Jun	29-Jun	1963285	Walblue Pharmacy	44.00
29-Jun	30-Jun	3538608	Fordron Oil	56.87
30-Jun	1-Jul	4779088	Starbucks	12.35
1-Jul	2-Jul	7533497	The Foot Shop	3.56
2-Jul	3-Jul	8582630	Petum Pet Supplies	4.25
3-Jul	4-Jul	2125730	Target	7.00
4-Jul	5-Jul	8907713	Bad Buy	8.56
5-Jul	6-Jul	4758127	Toy's And Stuff	9.52
6-Jul	7-Jul	1678011	City Kitchen	125.25
7-Jul	8-Jul	1861917	Bear Express	130.25
8-Jul	9-Jul	8004494	Dangerous Way	98.85
9-Jul	10-Jul	4251593	Terminate Pest Control	77.58
10-Jul	11-Jul	7003298	Alberto's Sons	58.57
11-Jul	12-Jul	1499859	The Apartment Depot	77.65
12-Jul	13-Jul	2230917	\$99 Store	565.54
REALITY SELECT PLANTINUM CARD				Page 2
Account Number		5555 5555 5555 5555		Customer Service: 1-800- EASY CSH

Total Credit Line \$15,000.00		Available Credit Line \$12,569.87646.73		Cash Advance Limit \$2900	Available Cash Limit \$2900	New Balance \$2353.27
Statement Closing Date 7/19/05		Amount Over Credit Line \$0.00		Past Due \$0.00	Purch/Adv Minimum Due \$45.00	Minimum Amount Due \$45.00
Sales Date	Post Date	Reference Number	Activity Since Last Statement			Amount
13-Jul	14-Jul	1946451	Cavey's			330.73
14-Jul	15-Jul	8211013	Sand Dollar Oil			258.52
15-Jul	16-Jul	2473624	Fence Mart			2.50
16-Jul	17-Jul	5577499	Really Gross Stuff Store			8.82
17-Jul	18-Jul	8731547	Purchases Finance Charge			43.42
Acct Summary		Previous Balance	+ Purchases & Advances	- Payments and Credits	+ Finance Charge	= New Balance
Purchases		\$2584.10	\$2809.85	\$500.00	\$43.42	\$4980.79

The finance charge is your interest from any unpaid balances.

Activity 1:

You can figure your interest on the credit card.

- Most credit card companies charge a daily interest rate. To find the daily interest rate, divide the annual interest rate by 365. What is the interest rate on this card? You will want to divide the finance charge by the unpaid balance (the previous balance minus the payments). That is the interest for one month. Multiplying this by 12 will give you the annual interest rate. Write it down here:
- Credit cards charge interest by the day instead of by the month. To figure the daily interest rate, you can divide the annual interest rate you calculated in problem 1 by 365. Write it down here:
- Write down the unpaid balance for the credit card statement above: _____
- If you do not pay this bill by the due date, you will be charged daily interest on the balance. This is how much you are being charged daily until you pay some or all of the balance due. You can avoid paying any interest on a card by paying the balance in full each month by the due date. Multiply the balance by the daily interest rate