


Worksheet 7-5: Credit Cards

Using a credit card allows you to buy items without paying for them immediately. A credit card is considered as a way of borrowing money for a short period of time. Interest rates charged on credit card accounts are often much greater than the interest rates paid on savings accounts.

Most credit cards compound interest daily on overdue accounts. An overdue account is an account with a balance that remains unpaid after the due date has passed. If the balance is paid in full by the due date, no interest is charged during the grace period, the period of days during which no interest is charged. However, if the balance is not paid in full by the due date, interest will be charged and compounded daily since the dates on which the purchases take place.

Some credit card companies offer incentives or rewards to customers for using the card to make purchases.


To answer questions 1-5, refer to Mia's credit card statement.

 Crownbank Mia Bailey 17 Seaside Road Hometown, ON M3R 4C2	Credit Card STATEMENT	
	Credit Limit: \$8000 Annual Interest Rate: 12.9% Daily ABM Cash Advance Limit: \$500 Annual Interest Rate on Cash Advances: 18.9%	
	Annual Fee: \$12 Grace Period: 21 days Minimum Payment: greater of \$10 or 3% of balance	
Interest is compounded daily		

- A statement is issued to Mia on the 18th of each month. What is the due date for:
 - the January 18 statement?
 - the February 18 statement?

- Mia's December statement has a balance of \$289.40. Determine the minimum monthly payment.


To answer questions 1-5, refer to Mia's credit card statement.

 Crownbank	Credit Card STATEMENT														
Mia Bailey 17 Seaside Road Hometown, ON M3R 4C2	<table border="1"> <tr> <td>Credit Limit:</td> <td>\$8000</td> </tr> <tr> <td>Annual Interest Rate:</td> <td>12.9%</td> </tr> <tr> <td>Daily ABM Cash Advance Limit:</td> <td>\$500</td> </tr> <tr> <td>Annual Interest Rate on Cash Advances:</td> <td>18.9%</td> </tr> </table> <table border="1"> <tr> <td>Annual Fee:</td> <td>\$12</td> </tr> <tr> <td>Grace Period:</td> <td>21 days</td> </tr> <tr> <td>Minimum Payment:</td> <td>greater of \$10 or 3% of balance</td> </tr> </table>	Credit Limit:	\$8000	Annual Interest Rate:	12.9%	Daily ABM Cash Advance Limit:	\$500	Annual Interest Rate on Cash Advances:	18.9%	Annual Fee:	\$12	Grace Period:	21 days	Minimum Payment:	greater of \$10 or 3% of balance
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3. After using her credit card for all her holiday shopping, Mia's January statement has a balance of \$1220.74. Determine the minimum monthly payment.

4. Explain one advantage and one disadvantage of Mia using her credit card to make all her holiday purchases.

5. Determine each daily interest rate charged on Mia's credit card. Express each answer as a percent and as a decimal rounded to six decimal places.
 - (a) on cash advances (cash withdrawal)
 - (b) on credit card purchases



Crownbank


Mia Bailey
17 Seaside Road
Hometown, ON
M3R 4C2

Credit Card
STATEMENT

Credit Limit:	\$8000
Annual Interest Rate:	12.9%
Daily ABM Cash Advance Limit:	\$500
Annual Interest Rate on Cash Advances:	18.9%

Annual Fee:	\$12
Grace Period:	21 days
Minimum Payment:	greater of \$10 or 3% of balance

Interest is compounded daily




Crownbank

Omar Mustafa
32 Cherry Lane
Hometown, ON
M7K 2B1

Credit Card
STATEMENT

Account Number:	5446 xxxx xxxx 3230
Credit Limit:	\$5700
Daily ABM Cash Advance Limit:	\$1000
Annual Interest Rate:	14.9%

Annual Fee:	0
Grace Period:	21 days
Cards Issued:	1
Minimum Payment:	greater of \$10 or 3% of balance



Crownbank

Credit Card
STATEMENT

STATEMENT FROM June 25 to July 26

7/2	The Jeans Factory	48.00
7/7	T-shirt Haus	22.75
7/22	Soccer Unlimited	28.49

Previous Balance:	0.00	New Balance:	?
Payments:	0.00	Minimum Due:	?
Overdue Balance:	0.00	Statement Date:	July 26
Interest Charged:	0.00	Annual Interest Rate:	16.9%
New Purchases:	?	Available Credit:	



Crownbank

Credit Card
STATEMENT

Ahmad Mustafa
32 Cherry Lane
Hometown, ON
M7K 2B1

Account Number:	5446 xxxx xxxx 3230
Credit Limit:	\$5700
Daily ABM Cash Advance Limit:	\$1000
Annual Interest Rate:	14.9%

Annual Fee:	0
Grace Period:	21 days
Cards Issued:	1
Minimum Payment:	greater of \$10 or 3% of balance