Fill In The Blank

adjusted balance method	impulse buying	rebate
average daily balance method	installment credit	revolving credit
collateral	line of credit	service credit
credit	over-the-limit fee	spending limit
criteria	penalty	store accounts
fixed rate	previous balance method	variable rate

1. A fee called a(n) _____ is assessed to customers who go over their credit limit.

2. Credit offers through individual stores, companies, or other merchants are called _____.

3. _____ is the practice of buying first and thinking about it later.

4. With a method of computing finance charges called the _____, charges and payments are applied first, and then interest is calculated.

5. An interest rate that changes at the discretion of the creditor is called a(n) _____ .

6. Property that can be used as security for a loan is called _____.

7. Money borrowed now with the agreement to pay it back later is called _____.

8. A partial refund of the purchase price of an item is a(n) _____.

9. An interest rate on credit that remains the same each month is called a(n) _____.

10. The use of electricity, water, and other utilities that you will pay for later is called _____.

11. A method of computing finance charges in which interest is calculated using the average daily balance for all the days of the billing cycle is called the _____.

12. A type of credit in which you repay a fixed balance with periodic payments is called _____.

13. With the type of credit called _____, you make payments and continue charging to the account.

14. The maximum amount you are willing to spend for an item is called your _____.

15. Standards or features used to judge an item you want to purchase are called _____.

16. A fee charged for violating a credit agreement is called a(n) _____.

17. A method of computing finance charges in which interest is calculated using the final balance from the previous period is called the _____.

18. A preapproved amount that can be borrowed is a(n) _____.

EXCEL PROBLEMS
Use Excel to solve the problems below and <u>email</u> the spreadsheet as an attachment.
MAKE SURE TO USE FORMULAS IN YOUR WORK!
(don't just type the answers)

Calculating Interest
1. The following table shows the activity on your credit card for the past month. What is the new balance using the <u>previous balance method</u> of computing interest? SHOW YOUR WORK!

2. Using the same information, what is the new balance using the <u>adjusted balance method</u> for computing interest? SHOW YOUR WORK!

3. Using the same information, what is the new balance using the <u>average daily balance</u> method for computing interest? SHOW YOUR WORK!

Credit Card Activity		
Previous Balance	$800.00	
Charges	September 5	$35.78
	September 18	$124.87
	September 21	$528.00
Payments	September 22	$750.00
Annual Interest Rate	14%	

Credit: Your Best Friend Or Your Worst Enemy?

Justin Jabowski is a high school senior with a part-time job. In January he acquired his first credit card. His credit-card account charges an annual interest rate of 18 percent. This means that every month Justin pays a finance charge of 1.5 percent (that's 18 percent ÷ 12 months) on his unpaid balance. And every month Justin must make a minimum payment of 5 percent of the unpaid balance.

In January Justin used his credit card to buy two shirts and a pair of pants, at a total price of $160. He also charged a new pair of shoes on his card, at a price of $75. When his first credit-card bill arrived in February, Justin owed _____. Since his account provides for a 30-day grace period, Justin did not owe any finance charges immediately. Justin has heard that it is a good idea to pay the entire bill each month and thus avoid finance charges; but he was a little short of cash in February, so he mailed in only the minimum payment of _____. His unpaid balance on the card was _____.

In February Justin treated himself and his girlfriend to an evening out at a rock concert. He charged two concert tickets for $50 each, plus a handling fee of $3 per ticket. He enjoyed the performing group's music so much that he bought three of their CDs at $17 each, using his credit card. When his bill for March arrived, Justin owed _____ for the new charges, his previous balance and the finance charge on the previous balance. He was a little short of cash at the time, so he made only the minimum payment of _____.

In March, Justin had a great opportunity to go skiing with his friend Travis. Travis's parents had rented a ski condo. They planned to make the trip by driving; by joining them, Justin was able to get free lodging, transportation and breakfasts. But lunches and dinners for the three-day outing cost him $150 (he treated Travis and his parents to lunch one day), and ski-lift tickets for three days came to $120. Justin's total credit-card bill at the beginning of April was _____ for the new charges, the previous balance and the finance charge on the previous balance. By then Justin had become alarmed at the size of his credit-card bill; but he was still a little short on cash, so he made only the minimum payment of _____.

After he mailed off his April payment, Justin resolved firmly to stop charging things on his card until he could get his entire balance paid off. Unfortunately, his car broke down the next day, and the repair bill came to $490. He needed the car to get to work and to school, so he charged the repairs. His total credit-card balance in May was _____.

Taken aback by his growing balance, Justin swore not charge another dime until he paid it off entirely. He decided to pay $55 a month for as long as it would take to pay it off.

If Justin held to his resolution and made payments of $55 each month, how long do you think it would take him to pay what he owes? _____ months.

WORKSHEET FOR JUSTIN JABOWSKI

January   Purchases   _____
            -    Minimum payment   _____
            Unpaid balance   _____

February   Purchases   _____
            +   Previous balance   _____
            +   Finance charge   _____
            Total owed   _____
            -    Minimum payment   _____
            Unpaid balance   _____

March   Purchases   _____
            +   Previous balance   _____
            +   Finance charge   _____
            Total owed   _____
            -    Minimum payment   _____
            Unpaid balance   _____

April   Purchases   _____
            +   Previous balance   _____
            +   Finance charge   _____
            Total owed   _____
            -    Minimum payment   _____
            Unpaid balance   _____