

BUILD YOUR SKILLS



Keep track of your credit card and bank statements. An unpaid balance can end up costing you a huge amount of interest.

1. Calculate the interest due on the following credit card balances and minimum payments (5.00% or \$10.00, whichever is greater).
 - a) Unpaid balance: \$345.67
Interest rate per annum: 20.00%
Time: 30 days
 - b) Unpaid balance: \$55.75
Interest rate per annum: 18.00%
Time: 31 days
2. Claudine is a teacher at New Brunswick's Eel Ground First Nation School. The school combines technology such as interactive whiteboards with traditional cultural teaching. Before working as a teacher, Claudine took a course on how to use technology in the classroom. She put the costs associated with the course on her credit card. She was charged \$16.22 interest on a credit card balance of \$1032.05 that she took 31 days to pay. What is the interest rate on her credit card per annum?
3. Sanaa had an unpaid balance on her credit card that has an interest rate of 21.50% per annum. It took her 19 days to pay, and she was charged \$7.75 interest. What was the unpaid balance on her card?
4. Phil received a credit card statement dated August 1, on which he owed \$505.50. He paid \$100.00 before the payment due date.
 - a) He is charged interest at a rate of 18.90% on his unpaid balance. How much interest will he pay if he takes until August 21 to pay the balance and he makes no other purchases using the credit card?
 - b) If instead Phil makes one purchase of \$160.40 on August 16 and makes no other purchases that month, how much will he owe as of August 21?
5. On August 10, Sharon takes a cash advance of \$300.00 on her credit card. The withdrawal appears on her monthly statement issued August 28. Sharon does not pay off this amount by the due date shown on her statement. The next monthly statement is issued on September 28.
 - a) For how many days is interest calculated?

- b) If Sharon's bank charges 25.50% annual interest for cash withdrawals, starting on the day of the withdrawal, what will she be charged for the August 10 withdrawal?
- c) What is the actual cost of the cash withdrawal, including interest, if she pays for the purchase by her September statement's due date?
6. Brian wants to purchase a new refrigerator. A store offers a deferred payment plan of \$1099.99 with a delivery charge of \$40.00 and an administration charge of \$60.00, both to be paid at the time of sale. He has two years to pay for his purchase without any interest accruing. If the cash price of the fridge is \$729.99 plus the delivery charge, how much interest is he actually paying with the deferred payment plan?
7. Jack is buying a new hybrid bicycle for commuting to work and bike touring. He has three payment options.

Option 1: Pay cash. The bicycle costs \$895.99 plus 12% tax.

Option 2: Use the store's payment plan of 6 monthly payments of \$190.00 (including tax).

Option 3: Pay using a cash advance on his credit card. He would be charged interest at an annual rate of 19.5%, and he expects that it would take him 15 days to pay his credit card balance.

Calculate the cost of the bicycle using each of the payment options. Which option would you recommend Jack choose?



This man is on a bike tour through the Atlantic provinces. He is taking a break in St. John's, NL.

- T** 8. Guy buys new ice hockey equipment which costs him \$1533.26, including taxes. He pays by credit card. His credit card company charges interest at 18% per annum. He can afford payments of \$120.00 each month. Use an online interest calculator to help you answer these questions.
- a) How long will it take Guy to pay off his debt?
- b) How much interest will he pay?