

# SECTION 7-1 Account Statements

When you have a credit card or charge account, you receive a monthly statement. The statement lists all transactions that were processed by the closing date for that month. If your previous bill was not paid in full by the closing date, a finance charge is added. The finance charge is interest that is charged for delaying payment.

$$\text{New Balance} = \text{Previous Balance} + \text{Finance Charge} + \text{New Purchases} - \text{Payments} - \text{Credits}$$

1. What is the new balance for the credit statement shown?

Billing Date	Previous Balance	Finance Charge	Payments & Credits	New Purchases	New Balance
10/01/--	\$139.50	\$2.32	\$45.00	\$29.98	

2. What is the new balance for the credit statement shown?

Billing Date	Previous Balance	Finance Charge	Payments & Credits	New Purchases	New Balance
12/11/--	\$185.74	\$2.71	\$70.94	\$49.80	

3. You received this monthly statement from Bank Card. What is your new balance?

Billing Date	Previous Balance	Finance Charge	Payments & Credits	New Purchases	New Balance
09/22/--	\$374.06	\$6.55	\$10.00	\$144.99	

4. Complete the account statement. Previous balance of \$716.45; payments of \$150 and \$75; new purchases of \$29.98, \$129.90, and \$10.46; finance charge of \$12.54.

Billing Date	Previous Balance	Finance Charge	Payments & Credits	New Purchases	New Balance
02/01/--					

5. Complete the account statement. Previous balance of \$78.80; payment of \$78.80; new purchases of \$24.60 and \$54.98; no finance charge.

Billing Date	Previous Balance	Finance Charge	Payments & Credits	New Purchases	New Balance
04/01/--					

6. Complete the account statement. Previous balance of \$410.91; payments of \$150 and \$150; return credit of \$21.90; new purchases of \$71.80, \$21.90, \$116.60, \$10.49, \$51.80, and \$6.75; finance charge of \$7.19.

Billing Date	Previous Balance	Finance Charge	Payments & Credits	New Purchases	New Balance
06/01/--					

Student \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

Instructor \_\_\_\_\_

# SECTION 7-2 Finance Charge—Unpaid-Balance Method

Some companies use the unpaid-balance method of computing finance charges. This is when they compute the finance charge based on that portion of the previous balance that you have not paid.

$$\text{Unpaid Balance} = \text{Previous Balance} - (\text{Payments} + \text{Credits})$$

$$\text{Finance Charge} = \text{Periodic Rate} \times \text{Unpaid Balance}$$

$$\text{New Balance} = \text{Unpaid Balance} + \text{Finance Charge} + \text{New Purchases}$$

Complete the account statements below using the unpaid-balance method.

1. Rosie Lane has a charge account at the Cosmopolitan Department Store where the periodic rate is 1.58 percent. A portion of her account statement is shown.

Billing Date	Previous Balance	Finance Charge	Payments & Credits	New Purchases	New Balance
05/20/--	\$194.06		\$61.50	\$29.80	

2. You have a charge account with a periodic rate of 2.08 percent. Your monthly statement shows purchases totaling \$416.49 and a payment of \$750.

Billing Date	Previous Balance	Finance Charge	Payments & Credits	New Purchases	New Balance
02/01/--	\$981.35				

3. The periodic rate is 2.0 percent; previous balance is \$291.84; payment of \$200; new purchases of \$17.40, \$17.70, and \$46.04.

Billing Date	Previous Balance	Finance Charge	Payments & Credits	New Purchases	New Balance
07/01/--					

Student \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

Instructor \_\_\_\_\_

**SECTIONS 7-3****Finance Charge—  
Average-Daily-Balance Method**

Many companies calculate the finance charge using the average-daily-balance method. The average daily balance is the average of the account balance at the end of each day of the billing period. New purchases posted during the billing period may or may not be included when figuring the balance at the end of the day. The finance charge is calculated by multiplying the periodic rate by the average daily balance.

$$\text{Average Daily Balance} = \frac{\text{Sum of Daily Balances}}{\text{Number of Days}}$$

$$\text{Finance Charge} = \text{Periodic Rate} \times \text{Average Daily Balance}$$

$$\text{New Balance} = \text{Unpaid Balance} + \text{Finance Charge} + \text{New Purchases}$$

1. Fill in the table below.

Billing Periods	Payment	End-of-day Balance	Number of Days	Sum of Balances
09/01-9/10		\$410.20	10	\$ _____ ?
09/11-9/30	\$150.00	260.20	20	_____ ?
TOTALS			_____ ?	_____ ?

*Unpaid balance*

2. Using the table in problem 1, what is the average daily balance without new purchases?
3. Using your answers above, calculate the finance charge using the average daily balance method where no new purchases are included. The periodic rate is 1.4 percent.
4. Using your answers above calculate the new balance. *New purchases were \$200.00*

