

## Credit Cards and Solving Credit Problems (FM 30 – Sections 2.2 & 2.3)

A **credit card** allows you to \_\_\_\_\_ money from a financial institution to make purchases. When you use a credit card, you are not using your own money right away — you are borrowing money that must be \_\_\_\_\_ back later.

Each month, the credit card company sends a \_\_\_\_\_ showing: - The total amount you owe (\_\_\_\_\_) - Any new purchases - Interest charged - The \_\_\_\_\_ **payment** required

### Interest on Credit Cards

Credit cards charge \_\_\_\_\_, which is the cost of borrowing money. Interest is usually given as an \_\_\_\_\_ **interest rate**, but it is applied \_\_\_\_\_.

Interest is calculated on the \_\_\_\_\_ **balance**. If you do not pay off the full balance each month, interest will be added, increasing the amount you owe.

### Minimum Payments

The **minimum payment** is the \_\_\_\_\_ amount you are required to pay each month. Paying only the minimum: - Reduces your balance very \_\_\_\_\_ - Causes you to pay much more \_\_\_\_\_ over time

### Solving Credit Problems

Mathematics helps you understand the true \_\_\_\_\_ of using credit. You can:  
- Calculate monthly interest charges - Determine how \_\_\_\_\_ it takes to pay off a balance - Compare \_\_\_\_\_ strategies

Debt Consolidation: you can save money by paying off \_\_\_\_\_ debt instead of paying off TWO or more at higher %'s. Often ONE large lump sum comes at a \_\_\_\_\_ % interest.

Being informed about credit cards helps you make responsible financial decisions and avoid long-term debt.



## Examples:

Jayden saw the new sound system he wanted on sale for \$2623.95, including taxes. He had to buy it on credit and had two options:

- Use his new bank credit card, which has an interest rate of 14.5%, compounded daily. (Because this credit card is new, he has no outstanding balance from the previous month.)
- Apply for the store credit card, which offers an immediate rebate of \$100 on the price but has an interest rate of 19.3%, compounded daily.

As with most credit cards, Jayden would not pay any interest if he paid off the balance before the due date on his first statement. However, Jayden cannot afford to do this. Both cards require a minimum monthly payment of 2.1% on the outstanding balance, but Jayden is confident that he can make regular monthly payments of \$110.

**?** Which credit card is the better option for Jayden, and why?

Eg 2

Nicki wants to be debt-free in 5 years. She has two credit cards on which she makes monthly payments:

- Card A has a balance of \$2436.98 and an interest rate of 18.5%, compounded daily.
- Card B has a balance of \$3043.26 and an interest rate of 19%, compounded daily.

Nicki has qualified for a line of credit at her bank with an interest rate of 9.6%, compounded monthly, and a credit limit of \$6000. She plans to pay off both credit card balances by borrowing the money from her line of credit. How much interest will she save?



## Assignment (Asn't): Credit Cards and Credit Problems

**Total Marks: 25**

### Section A: Broad Understanding Questions (7 marks)

*Answer each question in **one sentence or less**.*

1. What does it mean to use a credit card?

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2. Why does interest increase the total cost of purchases made with a credit card?

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3. Why is paying only the minimum payment a problem?

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*(Each question 2.5 marks, total 7 marks)*



## Section B: Fill in the Blanks (7 marks)

Use the word bank to complete each sentence. Each word is used *once*. Two words will *not* be used.

1. The amount of money owed on a credit card is called the \_\_\_\_\_.
2. The cost of borrowing money is known as \_\_\_\_\_.
3. The smallest required monthly payment is the \_\_\_\_\_ payment.
4. Credit card interest is usually applied on a \_\_\_\_\_ basis.
5. Paying only the minimum \_\_\_\_\_ the total interest paid.
6. A credit card statement shows purchases, interest, and the \_\_\_\_\_ owed.
7. Mathematics can help compare different \_\_\_\_\_ strategies.

**Word Bank:** balance, interest, minimum, daily, amount, increases, repayment, savings, loan

(1 mark each, total 7 marks)

## Section C: Multiple Choice (6 marks)

Write the correct letter in the space provided for each question.

1. \_\_\_ What happens when you do not pay off your full credit card balance? A. The balance disappears B. Interest is added C. No changes occur D. The card is cancelled
2. \_\_\_ What does the minimum payment represent? A. The interest charge only B. A penalty fee C. The smallest amount required to keep the account in good standing D. The full balance owed
3. \_\_\_ Why is interest on credit cards expensive over time? A. It is added to unpaid balances repeatedly B. It is charged only once C. It lowers your balance quickly D. It replaces the original purchase



- 4. \_\_\_ What mathematical skill is most useful when solving credit problems? A. Memorizing numbers B. Calculating percentages and rates C. Drawing graphs only D. Estimating randomly
  
- 5. \_\_\_ Which action reduces interest paid the most? A. Paying only the minimum B. Skipping payments C. Increasing purchases D. Paying the balance in full
  
- 6. \_\_\_ What information is found on a credit card statement? A. Shopping lists B. Bank employee names C. Account history and balances D. Future interest rates

*(1 mark each, total 6 marks)*

### Section D: Reflection (5 marks)

Write a thoughtful reflection on **at least one thing** you learned while completing this asn't.

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*(Assess for thoughtfulness and relevance, 5 marks)*

