Part III: Examples of Monthly Credit Card Activity

You have a credit card with an APR of 22%. You have paid off all but $1972 of your September balance. Your October billing period runs from October 8 through November 7. You then had the following activity on your credit card for the month of October:

- ✓ You made a charge $530 on October 14
- ✓ You made a ***payment*** of $1000 on October 16
- ✓ You made a charge of $135.35 on October 21
- ✓ You had a charge of $102.62 on October 31
- ✓ You made a ***payment*** of $800 on November 4
- ✓ You made a charge of $144 on November 5

Make a table summarizing the credit card's activity for the month.

DATE	PURCHASE/PAY	BALANCE	NO. OF DAYS	TOTAL
OCT. 8 - OCT. 13	+ $0	$1972	• 6	= $11,832
OCT. 14 - OCT. 15	+ $530	$2502	• 2	= $5004
OCT. 16 - OCT. 20	− $1000	$1502	• 5	= $7510
OCT. 21 - OCT. 30	+ $135.35	$1637.35	• 10	= $16,373.50
OCT. 31 - NOV. 3	$102.62	$1739.97	• 4	= $6939.88
NOV. 4	− $800	$939.97	• 1	= $939.97
NOV. 5 - NOV. 7	+ $144	$1083.97	• +3	= +$3251.91
			31 DAYS	$51,851.26

OPTION 1: PAY $1083.97

Using the table above, compute your average daily balance for the October billing period.

$$\text{AVERAGE DAILY BALANCE} = \frac{\$51,851.26}{31} = \$1672.62$$

Compute the finance charge on the card for the October billing period should the balance not be paid in full.

$$\text{FINANCE CHARGE} = (\text{AVG. DAILY BALANCE}) \times \frac{\text{APR}}{12}$$

$$= (\$51,851.26) \times \left(\frac{0.22}{12}\right)$$

$$= \$30.66$$