

The Cost of Being Late Spreadsheet Application

NAME _____

Congratulations, you received your first credit card with the following terms and conditions:

- Credit limit \$1,000
- Introductory rate of 10% APR (Annual Percentage Rate) or for the first 6 months on cash advances, transfers, and purchases.
- Default rate (rate paid after the promotional period expires) 22% APR
- Late fees for payments not received on or before the due date: \$40 and the interest increases to 28% APR.

You are so excited to receive your first credit card that you decide to take you friends out to dinner but you want to look good so you first go shopping for a new outfit. Your charges for your purchases are reflected in the table on the next page. Lets calculate the real cost of this night with friends. We will make it easy and assume that there will be no additional charges.

Using the spreadsheet program answer the questions based on the program input instructions.

Note: A purchase, fee, or interest charge causes the balance to increase and the available credit to decrease. A payment reduces the balance and increases the available credit.

1. Today you made the following purchases and charged them using your new credit card: \$175 to Teen Fashion Express, \$89 to The Shoe Chalet, \$39 to Looking Good Accessories, and \$229 for dinner for you and your friends at The Happening Dinner Palace. What was the total amount charged to your card?
2. Enter the total amount charged in the Purchases column then put \$20 in the Payment #1 row Monthly Payment field and 10% in the Annual Interest Rate field on the same row. Interest is then automatically calculated based on the Initial Balance in the row for payment #1 less the \$20 payment. Your new outstanding balance can be found in the Initial Balance Field for Payment #2. What is your new outstanding balance?
3. For months 1-6 enter a payment of \$20 and an interest rate of 10% . What is the new Initial Balance for the start of month 7?
4. In month 7 add \$40 for fees and change the interest rate to 28%. Copy the rate into months 8-12 and leave the payment at \$20. What is the Initial Balance at the beginning of month 13? (This represents the payoff amount).
5. What was the overall cost of buying on credit?