The average daily balance method

The amount of a finance charge is

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avg_daily_bal_notes.gwb - 3/8 - Mon Nov 14 2016 10:09:42

The new balance



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Many companies that offer credit will use the average daily balance for an account when calculating finance charges. New purchases during the billing cycle may or may not be included in the calculation. The formulas below are used by companies that keep track of average daily balances.

$$Average_Daily_Balance = \frac{Sum_of_Daily_Balances}{Number_of_Days}$$

Finance Charge = Periodic Rate x Average Daily Balance

New Balance = Unpaid Balance + Finance Charge + New Purchases

3/16 - 3/31	3/15	3/1 - 3/14	Periods	Billing
	\$110.73			Payment
327.92	327.92	\$438.65	Balance	End-of-day
16	1	14	Days	Number of
5,246.72	327.92	\$6,141.10	Balances	Sum of

Maria Stevens received her March statement from the Charge-o-Ramma credit card company. What is her daily balance according to the above information? Express your answer as a dollar amount to the nearest cent.

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$$Average_Daily_Balance = \frac{Sum_of_Daily_Balances}{Number_of_Days}$$

Finance Charge = Periodic Rate x Average Daily Balance

New Balance = Unpaid Balance + Finance Charge + New Purchases

	4/18	4/1 - 4/17	Periods	Billing
	\$149.72			Payment
256.87	256.87	\$406.59	Balance	End-of-day
12	1	17	Days	Number of
			Balances	Sum of

Steve Johnson received his April statement from the Max.ir-Out credit card company. What is his daily balance according to the above information? Express your answer as a dollar amount to the nearest cent.

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ExamView

Many companies that offer credit will use the average daily balance for an account when calculating finance charges. New purchases during the billing cycle may or may not be included in the calculation. The formulas below are used by companies that keep track of average daily balances.

$$Average_Daily_Balance = \frac{Sum_of_Daily_Balances}{Number_of_Days}$$

Finance Charge = Periodic Rate x Average Daily Balance

New Balance = Unpaid Balance + Finance Charge + New Purchases

3/20 - 3/31	3/19	3/1 - 3/18	Periods	Billing
	\$136.24			Payment
305.83	305.83	\$442.07	Balance	End-of-day
12	1	18	Days	Number of
			Balances	Sum of

Maria Johnson received her March statement from the Buy-fll-you. Die credit card company. If the periodic rate for the average daily balance is 2.9%, what is the finance charge this month for the account according to the above information? Express your answer as a dollar amount to the nearest cent.

avg_dally_bal_notes.gwb - 6/8 - Tue Nov 15 2016 18:52:49



Many companies that offer credit will use the average daily balance for an account when calculating finance charges. New purchases during the billing cycle may or may not be included in the calculation. The formulas below are used by companies that keep track of average daily balances.

 $Average_Daih_Balance = \frac{Sum_of_Daih_Balances}{Number_of_Dais}$

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Finance Charge = Periodic Rate x Average Daily Balance

New Balance = Unpaid Balance + Finance Charge + New Purchases

4,916.6	13	378.20		6/18 - 6/30
	1	378.20	\$168.76	6/17
\$8,751.	16	\$546.96		6/1 - 6/16
Balance	Days	Balance		Periods
Sum o	Number of	End-of-day	Payment	Billing

Veronica Galentino received her June statement from the Buy-ill-you-Die credit card company. If the periodic rate for the average daily balance is 1.8%, what is the finance charge this month for the account according to the above information? Express your answer as a dollar amount to the nearest cent.

examView

avg_daily_bal_notes.gwb - 8/8 - Tue Nov 15 2016 18:58:01

Many companies that offer credit will use the average daily balance for an account when calculating finance charges. New purchases during the billing cycle may or may not be included in the calculation. The formulas below are used by companies that keep track of average daily balances.

 $Average_Daily_Balance = \frac{Sum_of_Daily_Balances}{Number_of_Days}$

Finance Charge = Periodic Rate x Average Daily Balance

New Balance = Unpaid Balance + Finance Charge + New Purchases

7/18 - 7/31	7/17	7/1 - 7/16	Periods	Billing
	\$134.61			Payment
461.93	461.93	\$596.54	Balance	End-of-day
14	1	16	Days	Number of
6,467.02	461.93	\$9,544.64	Balances	Sum of

Maria Escalante received her July statement from the Charge-o-Ramma credit card company. The periodic rate for the average daily balance is 1.7% and Maria made purchases totaling \$206.60. What is the new balance as of July 31? Express your answer as a dollar amount to the nearest cent.

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