

Lesson Plan

Text: Financial Algebra

Volume: Consumer Credit Chapter: 4

Unit number 4-5 Title of unit: Credit Card Statement

Developed by: DeAnn Dige deann.dige@kent.k12.wa.us

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Short Description (Be sure to include where in your unit this lesson takes place):

This is section 5 of the chapter, the first four sections would need to be completed in order – previous learning would include basic information about credit cards

LESSON PLAN

TEACHER: Teacher Prep/ Lesson Plan

- **Lesson Objectives (Students will be able to:)**
 - To identify and use the various entries in a credit card statement

- **List of prerequisite skills needed:**
 - Basic credit card information
 - Knowledge of vocabulary specific to using credit
 - Percentages, increase/decrease, basic algebra
 - Use/knowledge of Excel or other spreadsheet program

- **Vocabulary:**
 - Billing cycle
 - Credit card statement
 - Account number
 - Credit line
 - Available credit
 - Billing date
 - Payment due date
 - Transactions
 - Debit/credit
 - Previous balance
 - Payments/credits
 - New purchases
 - Late charge
 - Finance charge
 - New balance
 - Minimum payment
 - Average daily balance
 - Number of days in billing cycle

- APR
- Monthly periodic rate
- **State Standards addressed:** *(You may use your District's Power Standards if applicable, Highlight "Green" Standards)*

Math: (Math)

- Reason quantitatively and use units to solve problems – Use units as a way to understand problems and to guide the solution of multi-step problems; choose and interpret units consistently in formulas; choose and interpret the scale and the origin in graphs and data displays
- Interpret the structure of expressions – Interpret expressions that represent a quantity in terms of its context

Reading: (Reading)

- Integrate and evaluate multiple sources of information presented in different media or formats (e.g., visually, quantitatively) as well as in words in order to address a question or solve a problem.

Writing: (Writing)

- Produce clear and coherent writing in which the development, organization, and style are appropriate to task, purpose, and audience.

Leadership:

- The student will be involved in activities that require applying theory, problem-solving, and using critical and creative thinking skills while understanding outcomes of related decisions

- **Teacher Preparation:** *(What materials and set-up are required for this lesson?)*

- Select one of the songs as a way to introduce the lesson – each song deals with overspending or using credit – videos can be found on You Tube
 - “Ka-Ching” - [Shania Twain](http://www.youtube.com/watch?v=AUnmTE6ljRg) - <http://www.youtube.com/watch?v=AUnmTE6ljRg>
 - "Money for Nothing"- [Dire Straits](http://www.youtube.com/watch?v=lAD6Obi7Cag) - <http://www.youtube.com/watch?v=lAD6Obi7Cag>
 - “Can’t Always Get What You Want” - [Rolling Stones](http://www.youtube.com/watch?v=OagFIQMs1tw) - <http://www.youtube.com/watch?v=OagFIQMs1tw>
 - "If the Devil Danced In Empty Pockets" - [Joe Diffie](http://www.youtube.com/watch?v=KyT-4Lx7aVk) - <http://www.youtube.com/watch?v=KyT-4Lx7aVk>
 - "Material Girl" – [Madonna](http://www.youtube.com/watch?v=ClKfMmK9V5I) - <http://www.youtube.com/watch?v=ClKfMmK9V5I>
 - "Money" - [Flying Lizards](http://www.youtube.com/watch?v=E-P2qL3qkzk) - <http://www.youtube.com/watch?v=E-P2qL3qkzk>
 - "Money's Too Tight to Mention" - [Simply Red](http://www.youtube.com/watch?v=DrUB0g8Vjgg) - <http://www.youtube.com/watch?v=DrUB0g8Vjgg>
 - “If I Had a Million Dollars” - [Barenaked Ladies](http://www.youtube.com/watch?v=LHacDYj8KZM) - <http://www.youtube.com/watch?v=LHacDYj8KZM>
 - “Money, Money, Money”- [ABBA](http://www.youtube.com/watch?v=ETxmCCsMoD0) - <http://www.youtube.com/watch?v=ETxmCCsMoD0>
 - “Money” – [Pink Floyd](http://www.youtube.com/watch?v=i-j3xITvYQY) - <http://www.youtube.com/watch?v=i-j3xITvYQY>
- Copy or provide electronically the “5 Minute Guide to Credit Scores” and quiz

- **Content Delivery:** *(How will the lesson be delivered? List any grouping and instructional strategies as well.)*
 - As music video is playing, students need to analyze the lyrics
 - After the song is over, students will need to answer the following questions:
 - What do you believe is the overall meaning or purpose of the song?
 - What do the lyrics of the song mean to you?
 - How do you believe the lyrics relate to our current society?
 - Discuss answers as a class
 - Using the following website: <http://www.yourmoneynewyork.com/topics/credit/page9.php>
 - Read/review the information – with an elbow partner, share 5 points of information related to Understanding Your Credit Card Statement; and 5 points on How to Improve Your Credit Score
 - Using the following website: <http://www.federalreserve.gov/creditcard/> point out the various parts of a credit card statement
 - Complete 5 minute guide to credit scores worksheet
 - Work through the examples and check your understanding problems on pg 202-203
 - Chapter Application Problems – pg 204-205
- **Instructional Documents** *(Please attach any Worksheet, Quiz, Reading Guide, etc)*
 - 5 minute guide to credit scores worksheet
- **Assessment Tool used in this Lesson** *(scoring method, guide, or rubric)*
 - Quiz
- **Reinforcement/Intervention/Extension Activities**
 - https://www.mygreatlakes.org/mglstatic/borrower/fiq/pdf/sample_credit_card_statement_fiq.pdf - extension of learning to reinforce skills
- **Career Applications** *(When will this be used in “real life”?)*
 - When living independently or as part of a family, the financial resources available will be limited, so understanding how money is spent and ways that costs can be reduced are vital in maintaining a strong line of credit.
 - Financial planner, business owner/operator, accountant, accounts payable clerk, entrepreneur, individual

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UNDERSTANDING A CREDIT CARD STATEMENT - QUIZ

Name _____

Refer to the credit card statement to answer the following questions.

1. What is the current APR for purchases, balance transfers, and cash advances?
2. What was the total amount of interest charged for this billing cycle? How much of this interest was charged to purchases? How much of this interest was charged to cash advances?
3. What was the total amount of fees charged for this billing cycle? What were these fees charged for?
4. Are there any changes to the terms of the account? If so, what are the changes?
5. What will happen if the credit card bill is not paid on time this month? How will this affect future purchases?
6. The cardholder pays the minimum payment of \$53.00 this month and makes no new purchases during the next billing cycle. What will be the new credit card balance during the next billing cycle if the cardholder has a \$10.27 interest charge for the month?
7. What was the balance of the credit card before this billing cycle (including the previous balance and any payments made)?
8. How much of the credit limit is left for this credit card? Can this full amount be charged to the card?

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CREDIT CARD STATEMENT

Summary of Account Activity		Payment Information											
Previous Balance	535.07	New Balance	\$1749.53										
Payments	-450.00	Minimum Payment Due	\$53.00										
Purchases	+529.57	Payment Due Date	4/20/12										
Balance Transfers	+785.00	Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay a \$35 fee and your APR's may be increased up to the Penalty rate of 28.99%.											
Cash Advances	+318.00	Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example...											
Past Due Amount	+0.00	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #e0e0e0;"> <th style="width: 33%;">If you make no additional charges using this card and each month you pay...</th> <th style="width: 33%;">You will pay off the balance shown on this statement in about...</th> <th style="width: 33%;">And you will end up paying an estimated total of...</th> </tr> </thead> <tbody> <tr> <td>Only the minimum payment</td> <td style="text-align: center;">10 years</td> <td style="text-align: right;">\$3,284</td> </tr> <tr> <td style="text-align: center;">\$62</td> <td style="text-align: center;">3 years</td> <td style="text-align: right;">\$2,232</td> </tr> </tbody> </table>			If you make no additional charges using this card and each month you pay...	You will pay off the balance shown on this statement in about...	And you will end up paying an estimated total of...	Only the minimum payment	10 years	\$3,284	\$62	3 years	\$2,232
If you make no additional charges using this card and each month you pay...	You will pay off the balance shown on this statement in about...				And you will end up paying an estimated total of...								
Only the minimum payment	10 years	\$3,284											
\$62	3 years	\$2,232											
Fees Charged	+34.45												
Interest Charged	+10.89												
New Balance	\$1,749.53												
Credit Limit	\$2,000.00												
Available credit	\$215.47												
Statement closing date	3/22/2012												
Days in billing cycle	30												

Transactions				
Reference Number	Trans Date	Post Date	Description of Transaction or Credit	Amount
XXXX1	2/22	2/23	Store #1	\$529.57
XXXX2	2/25	2/26	Payment	\$450.00 -
XXXX3	2/26	2/26	Cash Advance	\$318.00
XXXX4	3/15	3/17	Balance Transfer	\$785.00
Fees				
XXXX6	2/27	2/27	Balance Transfer Fee	\$23.55
XXXX7	2/28	2/28	Cash Advance Fee	\$10.90
Total Fees for this Period				\$34.45
Interest Charged				
Interest Charge on Purchases				\$6.31
Interest Charge on Cash Advances				\$4.58
Total Interest for this Period				\$10.89
2012 Totals Year-to-Date				
Total fees charged in 2012				\$55.14
Total interest charged in 2012				\$18.27

Interest Charge Calculation			
Type of Balance	Annual Percentage Rate (APR)	Balance Subject to Interest Rate	Interest Charge
Purchases	14.99%	\$512.14	\$6.31
Cash Advances	21.99%	\$253.50	\$4.58
Balance Transfers	0.00%	\$637.50	\$0.00

Important Changes to Your Account Terms	
<p>The following is a summary of changes that are being made to your account terms. For more detailed information, please refer to the booklet enclosed with this statement. These changes will impact your account as follows:</p>	
<p><u>Transactions made on or after 4/9/12:</u> As of 5/10/12, any changes to APR's described below will apply to these transactions.</p>	
<p><u>Transactions made before 4/9/12:</u> Current APR's will continue to apply to these transactions.</p>	
Revised Terms, as of 5/10/12	
APR for Purchases	16.99%

UNDERSTANDING A CREDIT CARD STATEMENT - QUIZ- ANSWERS

Refer to the credit card statement to answer the following questions.

1. What is the current APR for purchases, balance transfers, and cash advances?

Purchases - 14.99% Balance Transfers - 0.00% Cash advances - 21.99%

2. What was the total amount of interest charged for this billing cycle? How much of this interest was charged to purchases? How much of this interest was charged to cash advances?

\$10.89 \$6.31 \$4.58

3. What was the total amount of fees charged for this billing cycle? What were these fees charged for?

\$34.45 Balance Transfer and Cash Advance

4. Are there any changes to the terms of the account? If so, what are the changes?

Yes - increased APR for Purchases to 16.99%

5. What will happen if the credit card bill is not paid on time this month? How will this affect future purchases?

You may have to pay a \$35 fee and the APR;s may be increased up the penalty rate of 28.99%

6. The cardholder pays the minimum payment of \$53.00 this month and makes no new purchases during the next billing cycle. What will be the new credit card balance during the next billing cycle if the cardholder has a \$10.27 interest charge for the month?

$\$1749.53 - \$53.00 + \$10.27 = \$1,706.80$

7. What was the balance of the credit card before this billing cycle (including the previous balance and any payments made)?

\$535.07

8. How much of the credit limit is left for this credit card? Can this full amount be charged to the card?

\$215.47 Yes

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Web Resources - Chapter 4, Section 5

<http://www.creditcards.com/credit-card-news/monthly-credit-card-statement-1282.php>

- Interactive website for identifying parts of a credit card statement according to the regulations from the Credit Card Act of 2009

<http://www.yourmoneynewyork.com/topics/credit/page9.php>

- Tips for using credit and understanding your credit card statement

https://www.mygreatlakes.org/mglstatic/borrower/fiq/pdf/sample_credit_card_statement_fiq.pdf

- Sample credit card statement

http://www.whrhs.org/21331011516846880/lib/21331011516846880/Personal%20Finance/credit_card_info.pdf

- Complete lesson plans related to using credit (56 pages of information)

<http://www.federalreserve.gov/creditcard/>

- An interactive website with credit card information and what each of the different parts of a statement mean

<http://money.msn.com/credit-and-debt/>

- General information

http://www.citizensbank.com/moneyhelp/credit/articles/your_5_minute_guide_to_credit_scores.aspx

- A quick reference guide to what makes up your credit score

<http://liverealnow.net/can-bad-credit-cost-your-job/>

- Article on bad credit and the job search process

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