

Lesson Plan

Text:

Volume: 1 Chapter: 4-6

Unit number _____ Title of unit: Intro to Average Daily Balance

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

Students will be introduced to average daily balances. Students will already have completed lessons on consumer credit, loans, loan calculations and regression, credit cards, and reading credit card statements. The instructor will take them through the process of reading a credit card statement to find needed information. The instructor will also lead them through the steps needed to calculate daily average balances and finance charges.

LESSON PLAN

TEACHER: Teacher Prep/ Lesson Plan

- **Lesson Objectives (Students will be able to:)**
 - Create credit card calendars
 - Calculate the average daily balance using a credit card calendar
 - Calculate the finance charge of a credit card statement.
 - Calculate finance charges using monthly percentage rates, as well as annual percentage rates.
 - Determine how much interest they are being charged based on when during their billing cycle they make their purchases and their payments.
- **List of prerequisite skills needed:**
 - Students will need to solve basic math skills (add, subtract, multiply, divide)
 - Students will need to know how to operate a scientific calculator
- **Vocabulary:**
 - Average daily balance
 - Credit calendar
 - Billing date
 - Previous balance
 - Finance Charge
 - Monthly periodic rate
- **State Standards addressed:** *(You may use your District's Power Standards if applicable, Highlight "Green" Standards)*
Math: (Math)

- Number and Quantity
 - Reason quantitatively and use units to solve problems
 - 1. Use units as a way to understand problems and to guide the solution of multi-step problems in the context of the data.
 - 2. Define appropriate quantities for the purpose of descriptive modeling.
- Algebra
 - Interpret the structure of expressions
 - 1. Interpret expressions that represent a quantity in terms of its context.

Reading: (Reading)

- 1.2.2: Apply strategies to comprehend words and ideas.
- 2.1.4: Apply comprehension monitoring strategies for informational and technical materials, complex narratives, and expositions: use prior knowledge
- 2.1.5: Apply comprehension monitoring strategies for informational and technical materials, complex narratives, and expositions: synthesize ideas from selections to make predictions and inferences.

Writing: (Writing)

- 2.2.1: Demonstrates understanding of different purposes for writing

Leadership:

- 1.1: The student will analyze, refine, and apply decision-making skills through classroom, family, community, and business and industry (work-related) experiences.
- 1.4 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?)*

- *Sample credit card statement*
- *Document camera*
- *Calculator*
- *Handout “Steps to Determine Monthly Daily Average”*

• **Content Delivery:** *(How will the lesson be delivered? List any grouping and instructional strategies as well.)*

- *This will be an instructional lesson with the instructor leading the lesson. Students will be following along with the instructor as they are filling out their worksheet.*
- *The handout is to be completed individually*
- *After the students complete the handout, they may break off into pairs and work on the worksheet together.*

• **Instructional Documents** *(Please attach any Worksheet, Quiz, Reading Guide, etc)*

- *Handout “Steps to Determine Monthly Daily Average”*
- *Worksheet “Monthly Daily Average and Finance Charges”*
- *Sample Credit Card Statement*
- *Quiz 4-6 Average Daily Balances*

- **Assessment Tool used in this Lesson** (*scoring method, guide, or rubric*)
 - *Quiz 4-6 Average Daily Balances*
- **Reinforcement/Intervention/Extension Activities**
 - *For the next 2 days, the bell assignment/question of the day will be related to this lesson. The first day the question will be “Why do we need to figure out the average daily balance?” The second question will be “Jonelle paid her Maurice’s credit card with an amount equal to the new purchases shown on her bill. Her next bill shows an average daily balance of \$59.00 and the monthly periodic rate as 1.48%. What is the finance charge of Jonelle’s new bill?”*
- **Career Applications** (*When will this be used in “real life”?*)

Students will be able to use this when they begin to use credit cards. Students will be able to determine how much interest they are being charged based on when during their billing cycle they make their purchases and their payments. This is a tool that students can use as soon as they open a line of credit, or can practice using friends or relatives current credit card statements. Students will be able to use this tool all throughout their lives, as credit is something that people continuously acquire over their lifetime.

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Credit Card Statement Sample

Brittany Smith					
Account Information					
Account Number	Billing Date June 27	Payment Due July 11			
TRANSACTIONS		Debits/Credits			
31-May	Bobby's Store	\$85.00			
4-Jun	Gas Station	\$25.00			
12-Jun	Cell Phone	\$250.00			
24-Jun	Payment	(\$100.00)			
25-Jun	Grocery Store	\$50.00			
Summary		Previous Balance	Payments/Credits	New Purchases	Late Charge
		\$600.00	\$100.00		\$0.00
Finance Charge		New Balance	Minimum Payment		
			\$30.00		
Total Credit Line \$1000.00	Average Daily Balance	# of Days in Billing Cycle	APR	Monthly Periodic Rate	
		31	22.50%	1.50%	

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Steps to Determine Monthly Daily Average

Step 1: In the space below, draw a grid that has 7 boxes across and 5 boxes down.

Step 2: On the sample credit card statement, find the billing statement date. You will need to shade in the days that you are not going to use.

Step 3: Enter the billing date on the last day of this month in the bottom right hand corner of the box. Enter the rest of the days backwards on the chart. If the billing dates go into a different month, write in the other month that is included.

Step 4: The credit card statement has activity on it. Note the days that an activity took place. If it was a purchase add a plus sign in front of the amount spent. If the activity was a payment add a negative in front of the amount that was paid.

Step 5: Look for the previous balance on the credit card statement. That is the amount that is being carried over from the previous month. Enter that amount on the first day of the billing statement, and on each day until you come to a day that has activity on it.

Step 6: Once you get to a day with activity on it either add or subtract that activity to the previous balance. Continue step 6 until you get to the end of the billing cycle.

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Step 7: To find the daily balance, add up all the daily balances and then divide by the number of days in the billing cycle.

Balance/Number of days in billing cycle

Step 8: To find the finance charge you need to multiply the average daily balance by the percentage rate.

Finance charge= Balance x Percentage

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Monthly Daily Average and Finance Charges

Jared Doe				
Account Information				
Account Number	Billing Date May 23	Payment Due May 31		
TRANSACTIONS				
		Debits/Credits		
1-May	Justin's Ranch and Home	\$110.00		
15-May	Stan's Mini Mart	\$23.24		
17-May	The Store	\$230.99		
20-May	Payment	(\$300.00)		
22-May	Gas	\$50.00		
Summary				
	Previous Balance	Payments/Credits	New Purchases	Late Charge
	\$500.00	\$300.00	\$364.23	\$0.00
Finance Charge				
	New Balance	Minimum Payment		
		\$30.00		
Total Credit Line \$1000.00				
	Average Daily Balance	# of Days in Billing Cycle	APR	Monthly Periodic Rate
		31	13.99%	1.50%

John Doe's credit card statement is above. There are entries missing. Using the directions in the Steps to Determine Monthly Average Handout, complete the questions below. Check your work with your partner. You may use a calculator for this worksheet, but you must show your work for each question.

1. What is Jared's average daily balance?
2. What is Jared's finance charge?
3. What is Jared's new balance?
4. What is Jared's available balance?
5. If Jared's payment of \$300 had been made on May 2nd, would the finance charge be lower or higher for this billing cycle? Justify your answer.

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