

## Business and Personal Finance © 2012

### Chapter 15: Consumer Credit

#### Check Your Answers: Section Assessment

##### Section 1

##### Review Key Concepts

1. Consumer credit, such as a retail credit card, is the use of credit for personal needs.
2. Closed-end credit is a one-time loan that you will pay back over a specified period of time in payments of equal amount. Open-end credit is a loan with a certain limit on the amount of money you can borrow for a variety of goods and services.
3. A debit card is like a credit card but draws on the money already in your account; a smart card is a credit card with a computer chip that can store information, including medical records, and track transactions; and a T&E card is a credit card that is due in full each month.

##### Higher Order Thinking

4. Sample answer: tip number 2 is most important as it stresses the need to compare credit cards and their terms from several different banks before making an informed decision.

##### English Language Arts

5. **Fighting Temptation** Reports will vary but students should offer logical reasoning to defend their answer. A student may say he would ask for more than the minimum because he has a part-time job for income and he has worked out a budget to determine that he can afford to make the monthly payments.

##### Mathematics

6. **Loan Cost** Interest charged month 1 =  $(\$5000 \times 6.5\%) / 12 = \$27.08$ ; Balance after month 1 =  $\$5,000 + \$27.08 - \$300 = \$4,727.08$ ; Interest charged month 2 =  $(\$4,727.08 \times 6.5\%) / 12 = \$25.61$ ; Balance after month 2 =  $\$4,727.08 + \$25.61 - \$300 = \$4,452.69$ ; Interest charged month 3 =  $(\$4,452.69 \times 6.5\%) / 12 = \$24.12$ ; Balance after month 3 =  $\$4,452.69 + \$24.12 - \$300 = \$4,176.81$ .