**3.6 Notes**

Average Daily Balance

*Calculate the average daily balance and finance charge using the credit calendar.*

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| --- | --- |
| **Word** | **Definition** |
| **Average Daily Balance** |  |
| **Credit Calendar** |  |
| **Billing Date** |  |

***How are the entries on the monthly statement calculated?***

Credit card users who do not pay their bills in full are charged a \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_ for the extra time. It is computed on the \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_ if you have an unpaid balance on your card. Each card is different in its \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_.

***How do you calculate the average daily balance using a credit card calendar?***

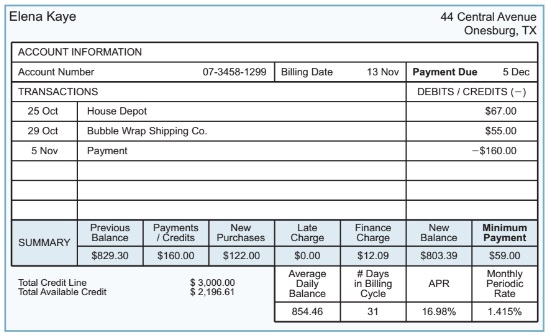
|  |  |
| --- | --- |
| ***Step 1:*** | ***Step 2:*** |

***Step 3:*** In one color: Look at the posted dates of each of the charges (debits). Put a plus (+) sign and the charged amount on the calendar dates that have debits posted. Next, look at the posted dates of the payments made. Put a minus sign (-) and the payment made on that calendar date.

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| ***Step 4:*** | ***Step 5:*** |
| ***Step 6:*** | ***Step 7:*** |

**Example 1:**

Use the information given in Elena Kaye’s credit card statement to verify the accuracy of her average daily balance.

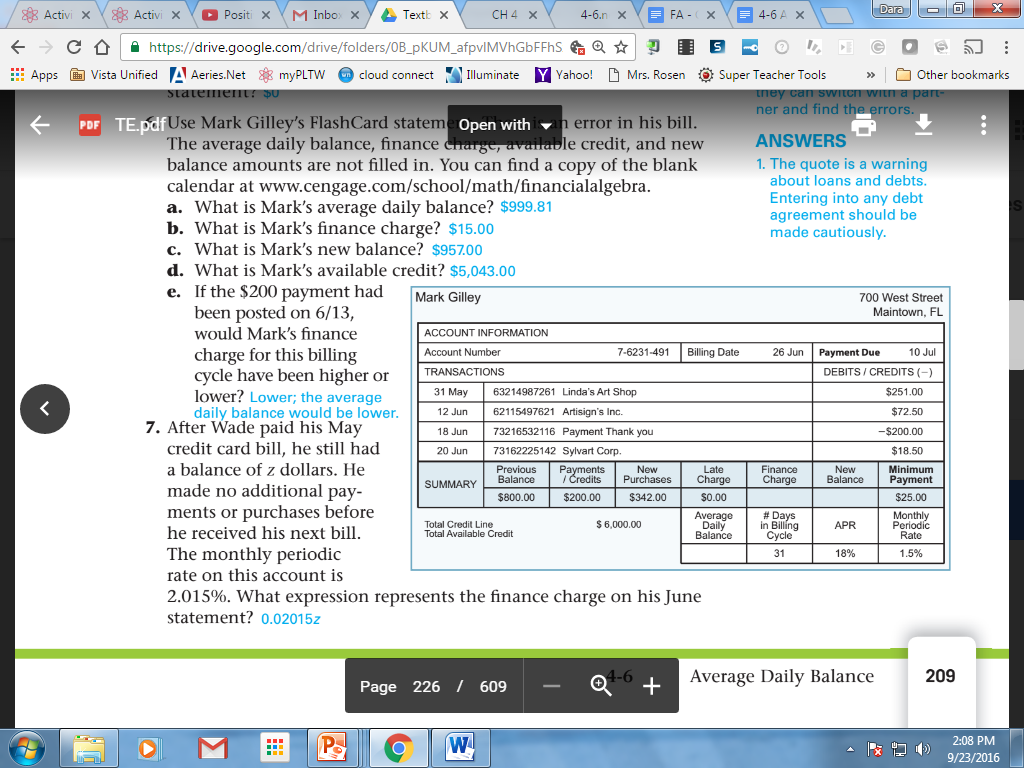


1. The average daily balance is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
2. Is there a better time during the billing cycle when Elena could have made her payment so that the average daily balance would have been less?
3. Determine the finance charge for Elena's billing cycle.

*Finance charge = average daily balance x monthly periodic rate (MPR) [as decimal]*

1. When might Elena have made her purchases during the billing cycle in order to decrease her finance charge?

**Example 2:** Use Mark Gilley’s Flashcard Statement to credit a credit calendar. There is an error in his bill. The average daily balance, finance charge, available credit, and new balance amounts are not filled in.



1. What is Mark’s average daily balance?
2. What is Mark’s finance charge?
3. What is Mark’s new balance?
4. What is Mark’s available credit?
5. If the $200 payment had been posted on 6/13, would Mark’s finance charge for this billing cycle have been higher or lower?