1. Skip makes a purchase of $2,100 on his Canadian Tire Mastercard. The purchase appears on his monthly statement. Skip does not pay for the purchase by the due date indicated on his statement. His next monthly statement is issued and his credit card company charges him an annual interest rate of 19.99% for 49 days.

a) Calculate the daily interest rate for Skip’s credit card. (1 mark)

\[
\frac{19.99}{365} = 0.054767 = 0.055\%
\]

b) Calculate the interest added to Skip’s balance using the simple interest formula. (2 marks)

\[
2100 \times 0.055 \times 49 = \$56.60
\]

2. Calculate the interest added to Skip’s balance using the compound interest formula. (2 marks)

\[
2100 \left(1 + \frac{0.1999}{365}\right)^{49} = 2157.10
\]

\[
= \frac{2100}{2157.10} = \$57.10
\]

d) How can Skip avoid paying interest? (1 mark)

Pay before the due date!

e) Name two other credit card companies other than Mastercard. (1 mark)

Visa
American Express.
2. Joyce's monthly credit card statement has a previous balance of $3438.56. The statement indicates that Joyce made a payment of $2300 during the month and purchased more goods totaling $1989.78. The credit card company charges Joyce $143.60 interest. Joyce's minimum monthly payment corresponds to 3% of her ending balance or $10, whichever is greater.

a) Calculate Joyce's new balance. (2 marks)

\[ \text{Previous Balance} - \text{Payment} + \text{Purchases} + \text{Interest} = 3438.56 - 2300 + 1989.78 + 143.60 = 3271.94 \]

b) Calculate Joyce's minimum monthly payment. (2 marks)

\[ 3892.38 \times 0.03 = 116.77 \]

3. A friend has a credit card and tells you they are going to use it to get a $500 cash advance so they can buy gifts for their grandmother.

a) What is a cash advance? (1 mark)

Putting $500 onto your balance and getting the cash.

b) What advice or warning would you give your friend? (1 mark)

Interest is calculated immediately, no grace period.