

Examples 4.5

Example 1

The summary portion of Jane Sharp's credit card statement shown on the previous page looks as follows:

SUMMARY	Previous Balance	Payments/Credits	New Purchases	Late Charge	Finance Charge	New Balance	Minimum Payment
	\$150.50	\$75.00	\$284.45	\$0.00	\$3.53	\$363.48	\$20.00

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- a. Explain how the new purchases amount was determined.
- b. Explain how the new balance amount was determined.

Solution

a. The new purchases amount is the sum of the purchases that appear as debits. This sum must equal the amount \$284.45 listed in the New Purchases section of the statement summary.

ACCOUNT INFORMATION			
Account Number	2653 8987 6098	Billing Date	23 Jan
		Payment Due	2 Feb
TRANSACTIONS		DEBITS / CREDITS (-)	
2 Jan	Candida's Gift Shop		\$75.00
3 Jan	Skizza's Pizzas		\$31.85
5 Jan	Beekman Department Store		\$139.10
10 Jan	Festival Book Store		\$38.50
21 Jan	Payment		-\$75.00

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New purchases = $75 + 31.85 + 139.10 + 38.50 = 284.45$

b. The new balance amount is determined by using the formula given below.

Previous Balance	-	Payments	+	New Purchases	+	Finance Charge	+	Late Charge	=	New Balance
150.50	-	75	+	284.45	+	3.53	+	0	=	363.48

Example 2

Pascual has a credit line of \$15,000 on his credit card. His summary looks as follows. How much available credit does Pascual have?

SUMMARY	Previous Balance	Payments/Credits	New Purchases	Late Charge	Finance Charge
	\$4,598.12	\$4,000.00	\$1,368.55	\$20.00	\$5.78

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SOLUTION Pascual needs to determine his new balance and then subtract that from his credit line in order to find his available credit.

$$4,598.12 - 4,000.00 + 1,368.55 + 20.00 + 5.78 = 1,992.45$$

He has a new balance of \$1,992.45. Subtracting this from his credit line of \$15,000 leaves him with an available credit of \$13,007.55.

Example 3

Myrna is examining the summary section of her credit card statement. Myrna has checked all the entries on her bill and agrees with everything except the new balance. Determine where the error was made.

SUMMARY	Previous Balance	Payments/Credits	New Purchases	Late Charge	Finance Charge	New Balance
	\$1,748.00	\$100.00	\$800.00	\$9.15	\$19.00	\$2,576.15

SOLUTION Add the amounts that show money Myrna must pay to the credit card company.

\$1,748.00	previous balance
800.00	purchases
9.15	finance charge
+ 19.00	late charge
<u>\$2,576.15</u>	total to be paid

Subtract the \$100 payment, and Myrna's new balance will be \$2,476.15. It appears that Myrna was not credited for her payment. Under the Fair Credit Billing Act, Myrna must notify her creditor in writing within 60 days from the statement date on her bill.