

_____ : the average of the account balance at the end of each day of the billing cycle.

- Average daily balance can be calculated including new purchases and not including new purchases.

Average Daily Balance = _____

Finance Charge = _____ X _____

New Balance = _____ + _____ + _____

Average Daily Balance Excluding New Purchases

Ex 1. A portion of Nick’s credit card statement is show. A finance charge was added to Nick’s account balance because he did not pay his last bill in full. The finance charge was computed using the average daily balance when new purchases were not included. Only the payment of \$44.85 affected the average daily balance. What is the average daily balance excluding new purchases? What is the new balance?

REFERENCE	POSTING DATE	TRANSACTION DATE	DESCRIPTION	PURCHASES & ADVANCES	PAYMENTS & CREDITS
31784	9/05	8/24	Health Club	48.75	44.85
103645	9/18		PAYMENT		
116748	9/20	9/01	Wilson’s	37.85	
345803	10/01	8/30	Ed’s Discount	20.99	
BILLING PERIOD		PREVIOUS BALANCE	PERIODIC RATE	AVERAGE DAILY BALANCE	FINANCE CHARGE
9/4-10/3		\$194.85	2%	?	?
PAYMENTS AND CREDITS		PURCHASES AND ADVANCES	NEW BALANCE	MINIMUM PAYMENT	PAYMENT DUE
44.85		\$107.59		\$20.00	10/25

Ex 2: A portion of Gina's account statement for March from Chase Credit is shown. The finance charge is computed using the average daily balance method excluding new purchases. Find the average daily balance, the finance charge and the new balance.

REFERENCE	POSTING DATE	TRANSACTION DATE	DESCRIPTION	PURCHASES & ADVANCES	PAYMENTS & CREDITS
31784	3/20		Payment		24.66
103645	3/27		Aston Oil Co.	81.30	
BILLING PERIOD		PREVIOUS BALANCE	PERIODIC RATE	AVERAGE DAILY BALANCE	FINANCE CHARGE
3/4-4/3		\$94.66	2%	?	?
PAYMENTS AND CREDITS		PURCHASES AND ADVANCES	NEW BALANCE	MINIMUM PAYMENT	PAYMENT DUE
\$24.66		\$81.30		\$10.00	10/25

Average Daily Balance Including New Purchases

Ex 3: Chris has a charge account where the finance charge is computed using the average daily balance method that includes new purchases. He checks to be sure the average daily balance is correct. Find the average daily balance, the finance charge and the new balance.

REFERENCE	POSTING DATE	TRANSACTION DATE	DESCRIPTION	PURCHASES & ADVANCES	PAYMENTS & CREDITS
31784	12/10		Housewares	25.85	
103645	12/20		Payment		70.00
BILLING PERIOD		PREVIOUS BALANCE	PERIODIC RATE	AVERAGE DAILY BALANCE	FINANCE CHARGE
12/1-12/31		\$125.80	2%	?	?
PAYMENTS AND CREDITS		PURCHASES AND ADVANCES	NEW BALANCE	MINIMUM PAYMENT	PAYMENT DUE
\$24.66		\$25.85	?	\$10.00	1/21

Ex 4: Amanda received this statement from Von Maur. Find the average daily balance including new purchases, the finance charge and the new balance.

REFERENCE	POSTING DATE	TRANSACTION DATE	DESCRIPTION	PURCHASES & ADVANCES	PAYMENTS & CREDITS
31784	4/11		Payment		40.00
103645	4/15		Menswear	39.95	
45700	4/23		Housewares	15.99	
1374655	4/25		Payment		50.00
BILLING PERIOD		PREVIOUS BALANCE	PERIODIC RATE	AVERAGE DAILY BALANCE	FINANCE CHARGE
4/1-5/1		\$175.00	1.2%	?	?
PAYMENTS AND CREDITS		PURCHASES AND ADVANCES	NEW BALANCE	MINIMUM PAYMENT	PAYMENT DUE
\$90.00		\$55.94	?	\$25.00	5/25

Notes Ex 3

<u>DATES</u>	<u>PAYMENT</u> (-)	<u>PURCHASE</u> (+)	<u>END OF DAY</u> <u>BALANCE</u>	<u>#</u> <u>DAYS</u>	<u>TOTAL</u> <u>BALANCE</u>

Average Daily Balance:

Finance Charge:

New Balance:

Notes Ex 4

<u>DATES</u>	<u>PAYMENT</u> (-)	<u>PURCHASE</u> (+)	<u>END OF DAY</u> <u>BALANCE</u>	<u>#</u> <u>DAYS</u>	<u>TOTAL</u> <u>BALANCE</u>

Average Daily Balance:

Finance Charge:

New Balance:

Notes Ex 1

<u>DATES</u>	<u>PAYMENT</u> (-)	<u>END OF DAY</u> <u>BALANCE</u>	<u># DAYS</u>	<u>TOTAL</u> <u>BALANCE</u>

**Average Daily
Balance:**

**Finance
Charge:**

New Balance:

Notes Ex 2

<u>DATES</u>	<u>PAYMENT</u> (-)	<u>END OF DAY</u> <u>BALANCE</u>	<u># DAYS</u>	<u>TOTAL</u> <u>BALANCE</u>

Average Daily Balance:

Finance Charge:

New Balance: