






## Lesson 4.1

<p>New Balance =</p>	 Previous balance (This is the amount that you did not pay off last month)		 Purchases Fees Finance charge		 Payments Credits
--------------------------	---	---	--	---	--

## Lesson 4.2

### Previous Balance Method

There are two ways to calculate the finance charge: with monthly rate or a daily rate.

Monthly rate:










$$\text{Finance Charge} = \text{Previous Balance} \times \frac{\text{Interest rate}}{12}$$

Daily rate:

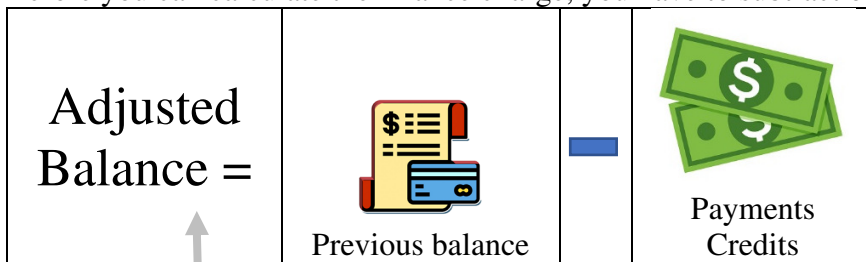


$$\text{Finance Charge} = \text{Previous Balance} \times \frac{\text{Interest rate}}{365} \times \text{Number of days}$$

<p>New Balance =</p>	 Previous balance		 Finance Charge you just calculated		 Purchases Fees		 Payments Credits
--------------------------	---	---	--	---	--	---	--

Adjusted Balance Method

Before you can calculate the finance charge, you have to subtract off the payments and credits.



Use the Adjusted Balance to calculate the finance charge, with either the monthly rate or daily rate.

Monthly rate:



$$\text{Finance Charge} = \text{Adjusted Balance} \times \frac{\text{Interest rate}}{12}$$



Daily rate:

$$\text{Finance Charge} = \text{Adjusted Balance} \times \frac{\text{Interest rate}}{365} \times \text{Number of days}$$

