

Chapter 7 – Charge Accounts and Credit Cards

I-Summary

This chapter helped you understand charge accounts and credit cards. When you buy on credit, you get the goods or services you want now. In return, you make a promise to pay in the future. The cost of this agreement is usually a finance charge, which is a fee charged for the privilege of delaying payment.

I-Quiz

1. What is meant by the *unpaid balance* on a charge account?
 - A. the interest you owe
 - B. the amount you can charge each month
 - C. the portion of any previous balance you have not paid
2. What does a credit card allow you to do?
 - A. buy whatever you want and get a discount
 - B. delay payment for a purchase
 - C. borrow money without paying interest
3. What does a credit card company use as the *base* for finance charges when it uses the *average daily balance method*?
 - A. the last item you bought
 - B. the average of the daily account balances
 - C. the number of days in the year
4. What is a charge account?
 - A. a line of credit at a business
 - B. a record of your purchases
 - C. a monthly statement
5. What does your credit account *statement* tell you?
 - A. when stores are offering a sale
 - B. how many checks you wrote
 - C. the items you purchased during a one-month period

Answer Key

- 1. C**
- 2. B**
- 3. B**
- 4. A**
- 5. C**