Teacher Answer Key

Case Study

1. She declined the store card, giving up the extra 10% rather than opening a 29.99% APR line while money was tight. She then bought the open-box laptop at $549, which came to about $593 after tax and could be returned locally. Both decisions lowered what she actually paid and left no debt behind.

2. The 10% only helps if she never carries a balance. At 29.99% APR one month of interest on a laptop-sized balance is enough to cancel a 10% discount, and the open credit line also makes extra spending easier during a month when she is already covering gas, application fees, and a winter jacket.

Multiple Choice

1. D

2. C

3. B

Matching

1-B, 2-A, 3-D, 4-E, 5-C

Fill-in-the-Blank

1) interest, 2) carried (accept: revolved), 3) unit

Short Answer (Sample Responses)

Q1: Plan: set needs-first list; check price history; choose cash or debit; substitution (backpack store brand); reduce returns by buying in-store with try-on and confirming policy; assign a time limit to protect study/sleep.

Q2: Effective price: $499 – $100 gift card (usable for planned groceries) ≈ $399 vs. $449 but stricter returns (risk of stuck item or restocking). If gift card is truly fungible for necessities, first option wins; risk: forgetting to use card or tying spend to one retailer. Second option's risk: return friction if defective.

Q3: Store card only if you will pay in full immediately and it doesn't tempt extra spending; BNPL only for a budgeted need with auto-pay and no stacking of plans. Otherwise, both raise default/fee risk and reduce future cash flow flexibility.