Teacher Answer Key

Case Study

1. The $35 minimum barely covers the interest. After paying it, $1,065 was still owed and the 22% APR was charged on that, so the balance climbed back to $1,085 the next month. A year of minimum payments left the balance almost where it started.

2. Pay more than the minimum, ideally the full statement balance, so interest never gets charged. Alex could also have kept the $900 laptop purchase off the card until there was income to cover it, rather than borrowing $1,100 at 22%.

Multiple Choice

1. C

2. B

3. A

Matching

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

Fill-in-the-Blank

1) APR, 2) Minimum, 3) Compound

Short Answer (Sample Responses)

Q1: Paying more than the minimum reduces interest costs and shortens the time to repay debt.

Q2: Compound interest increases total costs by charging interest on previously accrued interest.

Q3: Strategies include paying off balances in full, budgeting to make larger payments, and avoiding unnecessary purchases.