

ACTIVITY TEXT

MATH

in Everyday Life

Third Edition



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J. WESTON
 **WALCH**
PUBLISHER

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Chapter 6

EXPENSES AROUND THE HOUSE



Expenses Around the House

Men and women and boys and girls are all confronted every day with decisions about all kinds of purchases. Mrs. Van Dusen has decided that the sunroom needs a new rug. Mr. Van Dusen's old sports jacket has finally worn out, and he is looking for a new one. Craig is trying to keep up with the latest recordings of his favorite musical group. Vanessa wants a new book on flower arranging. And Charley seems to need a new pair of shoes every three months.

Shopping for essentials was once fairly easy. The family could get just about everything they needed at a general store. They probably did not have much choice of brands or styles. Today things are different. Every day newspapers carry advertisements for every type of product, from new cars and swimming pools to sewing machines and electric toothbrushes to all types of clothing.

You can still go to a department store to make your purchases. But you can also visit specialty stores that carry only certain kinds of items and discount stores that have reduced prices on many items. You can also shop from a catalog. In addition, you can now find almost any item you can imagine for sale on the Internet.

Merchants make purchasing easy. The Van Dusens may not have the cash they need in order to buy what they want. But they can charge almost anything on any one of many kinds of credit and charge cards. The expenses they charge to their accounts can then be paid back all at once at the end of the month or in installments that extend over many months.

Before going on to the exercises in this chapter, answer the questions below.

Questions

1. What special reasons might one have for making purchases at each of the following kinds of stores: (a) a general store or a department store; (b) a specialty store (furniture store, sporting goods store, or clothing store, for example); (c) a discount store; (d) by mail-order; (e) on the Internet?
2. How is it possible for some stores (a discount store, for example) to sell an item at a lower price than can other stores (a specialty store, for example)?
3. What are the advantages and disadvantages of buying items with credit cards?

4. List as many dishonest business practices that a merchant might use as you can think of. What can you do to protect yourself from such practices when *you* buy something? What laws does your state or community have that are designed to protect the customer from fraud by a merchant?

Internet Activities

1. Find out if it is possible to apply for a credit card on-line through the Internet. If so, find out what kinds of information you need to provide in order to apply for a credit card.
2. Are all credit cards alike? Search the Internet to see how many kinds of credit cards you can find. How do these cards differ from each other?
3. The federal government and most states have agencies designed to protect consumers from illegal or unfair practices by stores, merchants, corporations, and other businesses. Search the Internet to locate the consumer protection agency in your state. Then locate the web site for any federal agencies whose job it is to provide consumer protection. Give a brief description of the responsibilities of any one of these agencies.

Exercise I. Advertised Specials

Are sale items advertised in the newspapers always good bargains? This exercise will help you find out the answer to that question. To begin with, you will need a list of items advertised on sale in your community. Go through your local newspaper and pick out items of clothing, furniture, sporting goods, cosmetics (anything except food) that is advertised “on sale.”

List the items and the advertised prices in the chart on page 89. Then go to the stores that ran the ads. See if the items and prices in the stores are the same as they are in the ads. If they are not, think of reasons for the difference between the advertised and actual prices.

Finally, go to at least two other stores and see if you can find the same items, or items very much like them. If you can, list the prices of the items at each store. Calculate the price difference and percentage difference between the highest and lowest prices for each item on your list.

Exercise III. Using Credit Cards

Credit cards are popular because they are convenient. But it can be easy to forget that credit card purchases still have to be paid for when charges come due, that is, when the credit-card company issues a monthly statement.

If you can't pay the full amount you owe, you should at least make the minimum payment shown on the statement. Any charges that you do not pay will carry over to the next month's statement. You will then have to pay interest on them in the form of a finance charge.

Most credit card companies use the average daily balance method to calculate the finance charge. They figure the balance you owe on unpaid charges during each day of the month. Then they find the average of all of these charges. To get the finance charge, they multiply that average daily balance by the rate of interest. The Van Dusens' statements show a monthly rate of 1.5%, which is $\frac{1}{12}$ of the annual rate. Their monthly finance charges will be 1.5% of their average daily balance.

Note: Determining the average daily balance is a difficult mathematical exercise that is usually carried out by computers. In the exercises that follow, you will use a simpler method for calculating finance charge.

Anyone who uses credit cards should be sure to understand all the information on the credit card statement. The exercises that follow provide you with an opportunity to review charges the Van Dusens have made on their credit cards. Use these monthly credit card statements to calculate the information that goes at the bottom of each page. Here are the steps to follow:

1. Find the account balance from the last statement.
2. Total the new purchases listed on the current statement.
3. Total the payments listed on the current statement.
4. Figure the finance charge, if any:

$$\text{Finance Charge} = 1.5\% \times (\text{Last Balance} - \text{Payments})$$

5. Figure the new balance:

$$\text{Previous Balance} + \text{New Purchases} + \text{Finance Charge} - \text{Payments}$$

6. Figure the minimum payment due:

$$\text{Minimum Payment} = 5\% \times \text{New Balance}$$

