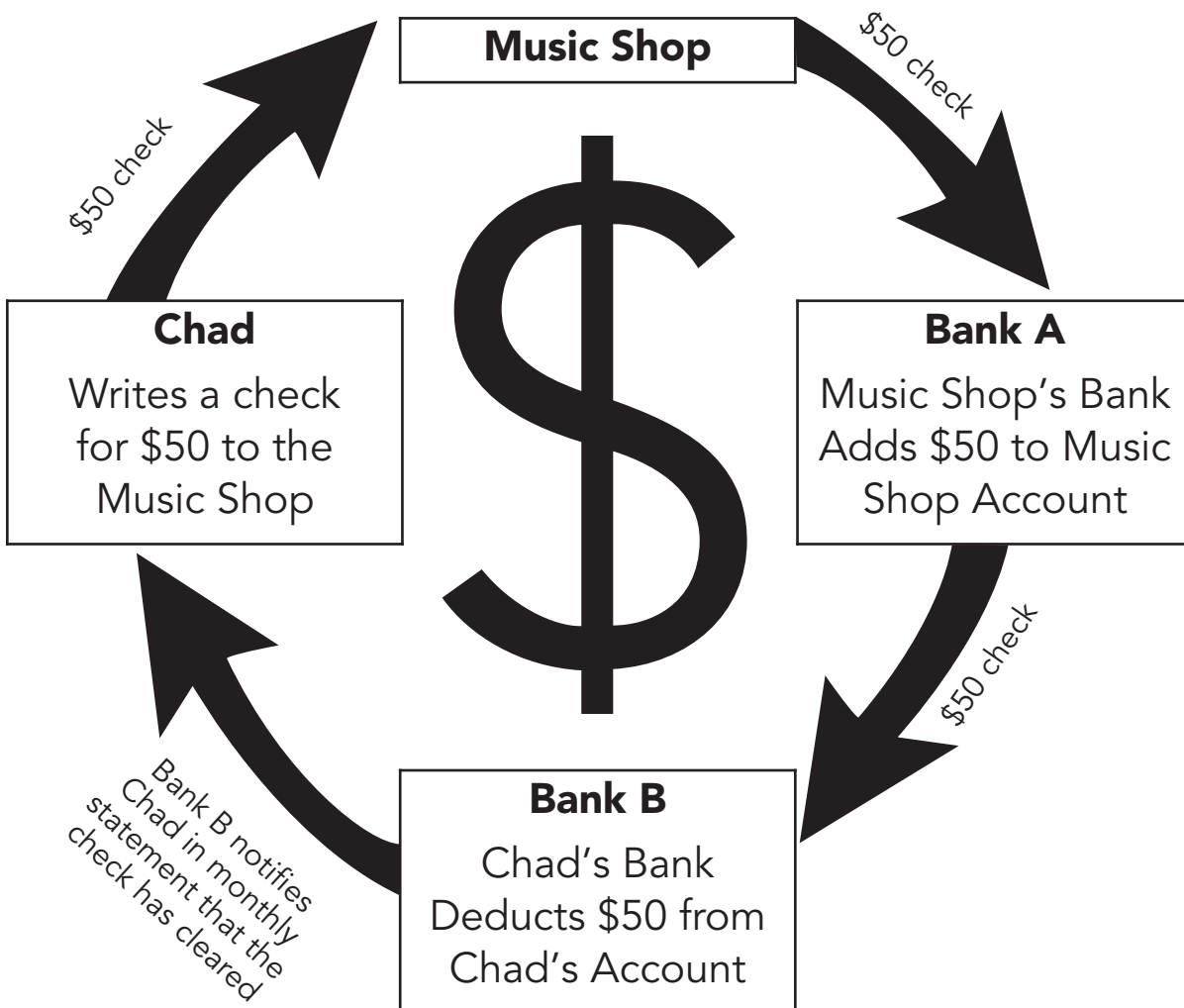


Advantages and Disadvantages of Various Methods of Payment

Payment Options	Advantages	Disadvantages

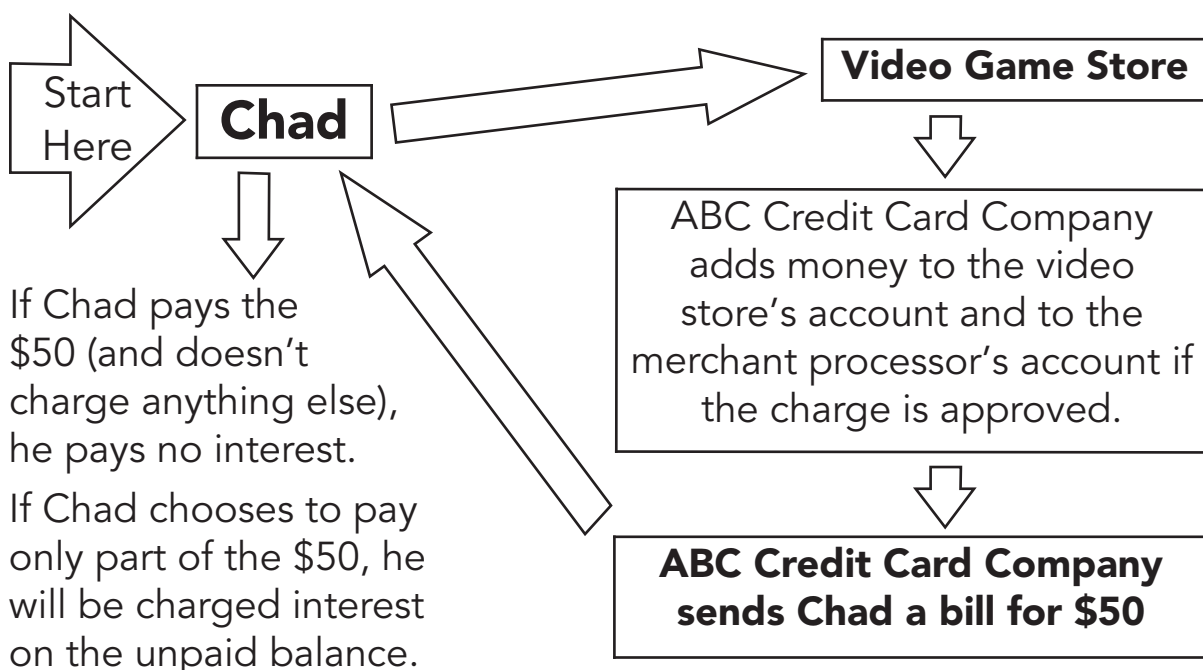
How a Check Works

1. Chad writes a \$50 check to pay for music CDs.
2. The shop owner sends Chad's check to her bank (A).
3. Bank A processes Chad's check and sends it to Chad's bank (B).
4. Bank B deducts \$50 from Chad's checking account, and electronically notifies Bank A of the transaction.
5. Bank A electronically adds \$50 to the shop owner's account.
6. Bank B sends Chad his cancelled check (or copy) for this record.



How a Credit Card Works

- Chad uses a credit card issued by ABC Credit Card Company to purchase video games.
- The store owner swipes Chad's credit card past a scanner.
- ABC Credit Card Company is quickly notified that Chad has requested \$50 worth of credit, and if ABC Credit Card Company approves the charge, a credit sale occurs. The credit card company would add the amount of the item purchased to the store's bank account less a processing fee. The processing fee would go to the account of the store's merchant processor.
- ABC Credit Card Company sends Chad a statement that includes a record of his \$50 purchase at the video store.
- If Chad has no balance on his credit card from the previous month, and pays the \$50 before the due date, he usually won't have to pay any interest.
- If Chad chooses to pay only part of the \$50, he will be charged interest on the remaining balance.



Lesson 15 Assessment: Answer Key

Rubric for Evaluating Panel Discussions

Topics to be covered in panel discussion	Discussed thoroughly and accurately 2 points	Briefly discussed with some inaccuracies 1 point	Not discussed 0 points
Advantages of using credit			
Disadvantages of using credit			
APR			
Grace Period			
Annual fees			
Transaction fees (late fees)			
Minimum payment and total cost			
Interesting statistics about credit			
Recommendations for wise credit use			
How inflation may affect decisions about use of credit			
The opportunity cost of credit			
Totals			
Grand Total of Three Columns			