

Name: _____

How Does a Credit Card Work?

Below is a basic diagram of how a credit card works:



With your partner, think of a scenario where someone purchases an item with a credit card. It can be either online or in the store. Identify the item being purchased and how much it costs. Assume the credit card has been accepted as payment. Calculate how much the 18% interest rate will be if it takes the individual 3 months to pay off the item on the credit card. What is the final purchase price of the item? Fill in the diagram on the next piece of paper with your findings.

Item being purchased: _____

