FINANCIAL LEARNING CAFE

Funding Academy • F05

Lesson 3 Resource

See how interest is calculated

Repayment planner

Premium lesson companion
Teaching brief • applied vocabulary • guided workbook • knowledge check • answer guide

Name ______________________________________

Date ______________________________________

See how interest is calculated

Many cards use an average daily balance method and a daily periodic rate. New transactions, payments, compounding, and different balance categories can change actual cost.

The deeper idea

Average-daily-balance methods make timing matter. A simplified estimate helps comparison, but the issuer agreement controls the actual calculation.

Learning objectives

- Explain average daily balance in the context of see how interest is calculated.
- Distinguish daily periodic rate from an assumption or promotional summary.
- Show how compounding changes cost, timing, control, responsibility, or risk.
- Complete the repayment planner using traceable source information.

Vocabulary in action

average daily balance	Locate it in source material and state what it measures or governs.
daily periodic rate	Use it to make the comparison concrete instead of relying on a label.
compounding	Name who carries responsibility, what triggers it, and which control makes it visible.

FIVE-STEP DECISION METHOD

Move from information to a responsible next step.

1. Define the exact question

State the purpose, deadline, and consequence of delay. Connect the question directly to see how interest is calculated.

2. Gather governing evidence

Collect current agreements, statements, official disclosures, operating records, or program instructions. Record the source and date.

3. Apply the vocabulary

Locate average daily balance, daily periodic rate, and compounding in the real document or process. Translate each into a dollar, date, action, control, or responsibility.

4. Test a difficult case

Change one important assumption - timing, volume, cost, income, access, or support - and explain whether the plan still works.

5. Record the decision

Choose proceed, revise, compare, seek qualified review, or stop. Name the next action, its owner, and the review date.

Applied scenario

A learner must make this decision this month. The learner gathers governing records, locates average daily balance, daily periodic rate, and compounding, and completes the assignment. The decision pauses if the difficult-case test exposes an obligation or operating risk that cannot be managed.

Repayment planner

Work through a simplified daily-balance example and compare it with the issuer's disclosed method.

Purpose: What exact decision does see how interest is calculated support?

Evidence: Which source documents prove the facts? Include dates.

Terms: Where do average daily balance, daily periodic rate, and compounding appear, and what does each change?

Stress-test and decision record

Stress test: Which assumption is most fragile, and what happens if it fails?

Decision record: What is the next action, who owns it, and when will it be reviewed?

My recorded status

☐ Proceed ☐ Revise ☐ Compare ☐ Seek qualified review ☐ Stop

KNOWLEDGE CHECK

Confirm your understanding.

1. State the central teaching in your own words.

2. How do average daily balance and daily periodic rate work together?

3. What evidence is strong enough to use?

4. What would make the plan pause?

5. What belongs in the finished assignment?

ANSWER GUIDE

Compare reasoning, not just wording.

1. State the central teaching in your own words.

Average-daily-balance methods make timing matter. A simplified estimate helps comparison, but the issuer agreement controls the actual calculation.

2. How do average daily balance and daily periodic rate work together?

Define each, locate both in source material, and explain their combined effect on the decision.

3. What evidence is strong enough to use?

Current, relevant, traceable information from an agreement, statement, official source, operating record, or qualified professional.

4. What would make the plan pause?

A missing governing fact, unsupported claim, unmanageable stress case, or inability to explain the responsibility attached to compounding.

5. What belongs in the finished assignment?

Purpose, sources, term definitions, comparison or calculation, difficult-case result, unanswered questions, responsible owner, and review date.

Education-only boundary

This resource provides general education. It does not submit applications, negotiate with providers, handle customer funds, promise outcomes, or replace individualized guidance from an appropriately qualified professional.