



Chapter 5

Banking and Budgeting



Key Words:

account

interest

service charges

incentives

bank statement

credit debit

balance

ATM

budget

balanced budget

Guaranteed Investment
Certificate (GIC)

term deposit

simple interest

future value

present value

compound interest

mutual fund

High Interest Savings

Chequing

5.1 Accounts

Student Savings

Tax Free Savings

ACCOUNT - a place at a financial institution to hold your money

INTEREST - a fee paid for borrowing someone else's money

SERVICE CHARGES - costs sometimes charged by financial institutions for providing services such as banking by telephone, banking over the internet and using banking machines

INCENTIVES - in relation to banking, anything that financial institutions offer to customers or potential customers that makes doing business with that institution seem more attractive

BANK STATEMENT - a record of all the transactions in an account over a period of time, usually a month

CREDIT - in relation to banking, an amount of money added to a bank account

DEBIT - in relation to banking, an amount of money subtracted from a bank account

BALANCE - in relation to banking, the total amount of money in a bank account at a given point and time

ATM - stands for automated teller machine

- machines people use to perform routine banking transactions

On the Job 1

Read Information on a Bank Statement

When Corinne got her first job, she opened a savings account at a bank close to where she lives. Corinne's pay is electronically deposited into her account every other Friday. Corinne's bank charges \$5 per month for managing her account. The account fee allows 10 transactions each month. Additional transactions are \$1.25 each. Transactions using her bank card at another institution cost \$1.50. Below is Corinne's first monthly **bank statement**.

Date	Details	Debits (—)	Credits (+)	Balance
Aug 2	Cash deposit		10.00	10.00
Aug 7	Direct deposit		146.73	156.73
Aug 8	ATM withdrawal	20.00		136.73
Aug 8	ATM charge	2.50		134.23
Aug 8	Bank machine fee	1.50		132.73
Aug 8	Cinemas	11.95		120.78
Aug 8	Joe's Subs	7.88		112.90
Aug 12	ATM withdrawal	20.00		92.90
Aug 12	ATM charge	2.50		90.40
Aug 12	Bank machine fee	1.50		88.90
Aug 15	ATM withdrawal	20.00		68.90
Aug 21	Direct deposit		171.06	239.96
Aug 21	ATM withdrawal	40.00		199.96
Aug 21	Just Jeans	67.19		132.77
Aug 22	Cinemas	11.95		120.82
Aug 28	Cell Phone Co.	87.40		33.42
Aug 28	ATM withdrawal	20.00		13.42
Aug 31	Interest		0.01	13.43
Aug 31	Account fee	8.75		4.68

Try these questions:

- (a) What is Corinne's opening balance?
- (b) What is her closing balance?
- (c) How many credits were made to her account?
- (d) How many debits were made to her account?
- (e) Explain how the bank determined the account fee debited from the account on Aug. 31st?

Answers

- (a) Corinne's opening balance is \$10. This is the amount of money in her bank at the beginning of the month.
- (b) Corinne's closing balance is \$4.68
- (c) 4
- (d) 15
- (e) Corinne had 13 transactions in August. The account she has has a service charge of \$1.25 for each transaction after the 10 that are free.

Corinne will need to pay $3 \times 1.25 = \$3.75$ for the extra 3 transactions

Corinne also pays a service fee of \$5/ month

$$\begin{aligned}\text{Account fee} &= 5 + 3.75 \\ &= 8.75\end{aligned}$$

Extra practice questions from Textbook : p.210 # 1 to 3(a), 4,5,7,8 & 9