

6.1 Banking Transactions

Banks and other financial institutions provide a safe place to keep your money and a means to pay expenses.

When you deposit money at a bank or other financial institution, it may pay you **interest**, a percent of the amount deposited, for keeping your money there. It also charges fees for **transactions**, such as depositing, transferring, and withdrawing money, writing cheques, and paying bills. Unless you have a sizable sum of money, you pay the bank more in fees than the bank pays you in interest.

Banks offer a variety of **chequing accounts**. Most people use this type of account for the transactions associated with depositing income and paying expenses. These accounts pay very little interest or no interest, and they have monthly fees and/or transaction fees.

Explore

What are automated teller machines (ATMs) used for? Where are they found? What do you need to use them? Does it cost to use them?

Develop

1. Banks encourage us to use **self-service** or **automated banking** rather than **full-service banking** at tellers. **Automated teller machines (ATMs)** are one type of self-service banking. The following transactions, which can be made at a teller, can be made at ATMs associated with your bank.

- withdrawing money
- depositing money (cheques and cash)
- paying bills
- transferring money between accounts
- checking the balance in your account

Services such as opening an account and buying foreign money are available only through full-service banking.

At ATMs associated with other banks or non-bank ATMs, you can do only one of these transactions. Which is it? Why would that be?

2. ATMs are also called ABMs. What do you think "ABM" stands for?

3. **Writing a cheque** is considered self-service banking. Why would it be self-service rather than full-service?
4. **Telephone banking** and **on-line banking** are two other types of automated or self-service banking. Which transactions listed in question 1 would you not be able to do by telephone or on-line? Why?
5. **Electronic funds transfer** is another type of automated banking.
 - **Direct deposits** of income from employers, from governments, and from investments can be made to your account.
 - As well as paying bills by the self-service and full-service banking methods already discussed, **automatic withdrawals** from your account can be made for payments on their due dates.
 - Many stores and businesses allow you to pay electronically using your bank card as a **debit card**. Funds are electronically transferred from your account to theirs.
 - a) List all the automated or self-service banking transactions from questions 1 to 5. You should have 15 transactions.
 - b) Which, if any, have you used?
6. The fees you pay for transactions depend upon the type of account you have. Usually, you pay a monthly fee that entitles you to a certain number of transactions. For each transaction over that number, you pay a transaction fee.

Use brochures or the Internet to investigate one type of chequing account offered by one bank and answer the following.

- a) What is the name of the bank and the name of the account?
- b) How much is the monthly fee?
- c) How many full-service (at a teller) transactions do you get for the monthly fee?
- d) How many self-service (ATM, cheque writing, telephone, on-line, electronic transfer) transactions do you get for the monthly fee?
- e) How much does each additional full-service transaction cost?
- f) How much does each additional self-service transaction cost?



Access to Web sites about banks can be gained through the *Mathematics for Everyday Life* 11 page of irwinpublishing.com/students.



Practise

For questions 7 to 10, use the following chequing account information.

For a monthly fee of \$4.15, you get

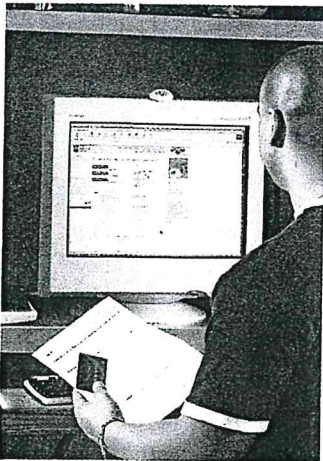
- 8 self-serve transactions
- 5 full-serve transactions

Additional self-serve transactions cost 50¢ each.

Additional full-serve transactions cost \$1 each.

Each use of an ATM not associated with this bank costs \$1.25 plus the transaction fee, if applicable.

7. a) The first banking Loraine did one month was to deposit a cheque, withdraw some cash, and pay a bill at an ATM at her bank. How much did that trip to the ATM cost her in fees?
b) Later in the month, when Loraine had made more than 8 self-serve transactions, she withdrew cash from an ATM not associated with her bank. The next day she deposited a cheque and paid a bill at an ATM at her bank. How much did those trips to ATMs cost her in fees?



8. Julian did the following banking one month:
- deposited a cheque at a teller 2 times
 - wrote 3 cheques
 - paid 6 bills on-line
 - used his debit card 6 times
 - withdrew money 3 times from an ATM not associated with his bank
- What was the total monthly charge?

9. Kelly did the following banking one month:
- deposited a cheque at a teller 2 times
 - withdrew money 2 times at an ATM not associated with her bank
 - used her debit card 4 times
- What was the total monthly charge?

10. Sherwin made the following transactions one month:
- deposited a cheque at an ATM at his bank 2 times
 - withdrew money 4 times at an ATM at his bank
 - paid 9 bills on-line
 - used his debit card 8 times
- What was the total monthly charge?

11. What would the total monthly charge be for each person if they had the chequing account that you researched in question 6?
- a) Julian in question 8 b) Kelly in question 9 c) Sherwin in question 10

6.3 Bank Statements and Passbooks

Explore

Do you have a bank account? If so, do you have a passbook or do you receive a monthly statement? Where does a passbook or statement tell you what codes such as CHQ, DBT, and WD mean?

Develop

Use these codes to answer questions 1 to 3.

ATM	automated teller machine	ET	electronic funds transfer
CHQ	cheque	SC	service charge
DBT	debit card	WD	withdrawal
DEP	deposit		



1. Some bank accounts offer passbooks. Passbooks vary from bank to bank. It is up to you to keep your passbook up-to-date. Here is the part of Jalinda's passbook that shows her transactions in May.

DATE	ACCESS POINT	WITHDRAWAL DESCRIPTION	DEPOSIT DESCRIPTION	BALANCE
MAY 05	ET		PAY: SUNMORE 653.95	1284.94
MAY 10	ATM	WD 50.00		1234.94
MAY 11	DBT	WD 27.50		1207.44
MAY 19	ET		PAY: SUNMORE 653.95	1861.39
MAY 25		CHQ#234 730.00		1131.39
MAY 28	ATM	WD 250.00		881.39
MAY 31		SC 6.65		874.74

- When did Jalinda get paid by her employer, SunMore? Did she deposit her cheque or was it automatically deposited?
- When was the **service charge**, which consists of the monthly and transaction fees, withdrawn?
- What balance did she end the month with?
- What transaction did she make May 11?
- What transaction did she make May 28?
- Explain how the amounts in the Balance column are calculated.
- Why do you think there is no Access Point information given for the transactions on May 25 and May 31?

2. Here is the part of Lena's passbook that shows her transactions in September.

DATE	ACCESS POINT	WITHDRAWAL DESCRIPTION	DEPOSIT DESCRIPTION	BALANCE
SEPT 08		CHQ#286	23.00	241.86
SEPT 12	DBT	WD	21.60	220.26
SEPT 19			CASH	45.60 265.86
SEPT 23	ET		PAY:FRYS PLUS 230.00	495.86
SEPT 25	ATM	WD	50.00	445.86
SEPT 30		SC	5.40	440.46

- When did Lena get paid by her employer, Frys Plus?
 - What transaction did she make Sept. 12?
 - What transaction did she make Sept. 25?
 - How much was the monthly service charge on her account?
 - What was the balance in her account on Sept. 23?
 - What was the balance in her account on Sept. 24?
 - How must she have deposited the cash on Sept. 19? How do you know?
3. Craig doesn't have a passbook for his chequing account. His bank sends him a monthly statement. Here is his statement for October.

DESCRIPTION	WITHDRAWALS	DEPOSITS	DATE	BALANCE
BALANCE FORWARD			OCT 01	462.98
CHQ#293	150.00		OCT 05	312.98
DBT WD	76.90		OCT 17	236.08
ATM WD	20.00		OCT 19	216.08
PAY:MILAN'S		245.00	OCT 25	461.08
ATM WD	25.00		OCT 25	270.00
ATM WD	15.00		OCT 26	255.00
ATM WD	10.00		OCT 27	245.00
ATM WD	20.00		OCT 28	225.00
ATM WD	5.00		OCT 30	220.00
SC	11.65		OCT 31	208.35

- What was Craig's balance at the beginning of the month?
 - What was his balance at the end of the month?
 - What transaction did he make on Oct. 5?
 - What transactions did he make on Oct. 25?
 - How much was the monthly service charge on his account?
 - Apply what you learned in Section 6.1 and in this section to advise Craig on how to reduce his service charge.
4. Which method of keeping track of transactions do you prefer—a passbook or a monthly statement? Why?

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