1. **List and discuss THREE key functions or advantages of how a credit card works.**

Credit cards allow for convenience that allows the owner the option of paying for things without the use of carrying cash. Another major function of the credit card allows for the user to pay for charges at a later date usually a month later. in addition to convenience it also allows a sense of security. If a credit card is lost or stolen, or the numbers are used by someone other than the issued owner the charges can be disputed. Credit cards allow for a paper trail that can be used to find times, dates and location of usage that can help to locate the point of purchase and further help in an investigation. Lately the Credit card companies have added bonus points, travel incentives and cash back on purchases. These incentives lure new customers in with the hopes of service charges, interest fees and late charges. So basically a credit card offers a line of credit you must sign for and convenience.

1. **List and discuss THREE key functions or advantages of how a debit card works**.

Debit cards were formerly called check cards take the funds needed for the transaction immediately or usually by the following day. This allows for no interest charges and a better way to manage money resulting in less usage of checks and the need to carry cash. Debit cards can either be used as a check card immediately taking money from the users bank account (the same way a check would only much quicker) . The check card was utilized by entering a pin number; a 4 digit number known only by the owner. The owner could also use this card to withdraw cash from atms or a point of purchase where merchants allow extra cash withdrawn. The addition of a VISA or Mastercard logo introduced more flexibility on useage. Any location with the VISA or Mastercard logo would also accept the debit card. This addition allowed for debit cards to be utilized internationally the same way as a credit card with out the use of a pin. This indicated the merchant to use the signature on the back of the card to identify the user sometimes along with further identification. Recently the security features of a debit card have improved allowing for disputes and certain insurance on purchases much like that of a credit card. To sum this up: A debit card is tied directly to your account, it can be used anywhere credit cards are used and utilizes a pin to complete transactions where appliciple.

1. **List and discuss the key differences between a credit card and a debit card.**

According to thebalance.com the fundamental difference between the debit card and the credit card is where the money comes from. Where the debit card pulls money from the owners bank account, the credit card pulls money from the issuers account. The credit card has annual fees, late fees and interest if not paid in full whereas the debit card does not. Debit cards have the possibility of overdraft fees if no overdraft protection or linked accounts are in place. While you can get cash in ATM machines from both cards, the credit card usually charges high interest rates for cash advances. Finally , credit cards add to your credit report in a way in which you use it..

1. **Discuss what happens when you use a Debit card as a Credit card.**

When you use a debit card as a credit card it is considered an offline transaction. This means that a hold is placed on the account that can take up to 2 to 3 days to process and reflect in your account.

1. **When should you use a credit card instead of a debit card?**

According to blog.credit.com it is a good idea to use a credit card on large purchases instead of a debit card. There is better insurance that the purchase will be made securely. Things such as renting a car also gain advantages when using a credit card as the issuer of the credit card might have additional insurance such as auto liability included in the cards benefits. Also a credit card is used in your credit report and can greatly increase your score if used properly such as on time payments and paying in full.. There are warrenties and insurance when traveling too.

1. **When should you use a debit card instead of a credit card?**

An article by usnews.com answers this question quite well. Using a debit card has several benefits such as avoiding, unnecessary fees, when you are in debt, and immediate payment from your account. In addition you get better foreign exchange rates. You need cash. But there are other potential perks like interest bearing accounts, utility company discounts and money transfer from other linked accounts.

1. **Discuss how a Merchant is affected by your choice of "Debit vs Credit"?  How do the merchant fees differ between the two types of cards?**

According to thebalance.com merchants rather customers use debit cards so they don’t have to pay heavy surcharges. Debit cards and credit cards have different fees. A debit card will cost about 21 cents plus 0.05% of the cost. Plus a potential 1% fraud-prevention charge for banks and credit unions. Credit cards cost 1.9 – 2% of the purchase amount if the card is swiped in store. Online retailer pay more at approximately 2.30 – 2.50%. These are in addition to the rental or purchase of the card processor. While the fees might vary slightly merchants need to look at the overall picture when choosing as a small business might notice the fee cost much more than a big business. For instance a small business might have many $10 sales each with a charge and big business might have only a few charges of $100. Depending on the amount of sales the cost could be much greater for the small business.