PRACTICAL AND FINANCIAL LITERACY

Budgeting

Difficulty level: Easy

Practical and Financial Literacy

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Overview of the concept

This is how you make sure your money covers what you need. You list what comes in and what goes out, so you can see whether anything is left over before it runs out. A budget is not about being strict for its own sake, it is about knowing where your money is going so a bill never catches you by surprise.



Rule

Budgeting: money left over = income - expenses.

List all the income, list all the expenses, and subtract the expenses from the income. If the result is negative, the expenses are more than the income.

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Worked examples

EXAMPLE 1

Q A monthly budget has $2,000 income, rent $1,200, food $300, and transport $200. How much is left over?

SOLUTION

Income: $2,000

Expenses: rent $1,200, food $300, transport $200.

Total expenses: $1,700. Left over: $2,000 - $1,700 = $300

List all income for the month.

List every expense and add them: 1,200 + 300 + 200 = 1,700.

Subtract expenses from income: 2,000 - 1,700 = 300 left over.

EXAMPLE 2

Q In a tight month, income is $1,500 and expenses are $900, $250, $150, and $100. How much is left over?

SOLUTION

Income: $1,500

Expenses: $900 + $250 + $150 + $100 = $1,400

Left over: $1,500 - $1,400 = $100

Add the expenses: 900 + 250 = 1,150; + 150 = 1,300; + 100 = 1,400.

Subtract from income: 1,500 - 1,400 = 100.

With only $100 left, this budget has little room for surprises, so look for one expense to trim.

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Practice questions

1 Income $2,400, expenses $1,900. How much is left?

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2 Income $1,800, expenses $1,650. How much is left?

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3 Income $800, expenses $950. Is there money left over or a shortfall, and by how much?

- A Money left over of $150
- B A shortfall of $150 (overspending)
- C A shortfall of $950
- D It balances exactly

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4 What is the first step in making a budget?

- A List all expenses
- B List all income
- C Save money first
- D Set a spending limit

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5 What are fixed expenses?

- A Costs that change each month, such as groceries
- B Regular costs that stay about the same, such as rent
- C Money left over after expenses
- D Income from a job

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6 Which one of these is a variable expense?

- A Groceries
- B Rent
- C A mortgage payment
- D Car insurance

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7 **Income $1,200, rent $700, food $300. How much is left?**

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8 **What should you do with money left over?**

A Spend it all right away

B Save some of it, for example for emergencies

C Give it all away

D Borrow more money

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9 Expenses exceed income. What must change?

- A Either income must rise or expenses must fall
- B Income must fall
- C Expenses must rise
- D Nothing needs to change

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10 Why track spending for a month before budgeting?

- A So the budget is finished faster
- B So the budget uses real spending, not guesses
- C So spending is not tracked
- D So income is ignored

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ANSWER KEY

1. $500

2. $150

3. A shortfall of $150 (overspending)

4. List all income

5. Regular costs that stay about the same, such as rent

6. Groceries

7. $200

8. Save some of it, for example for emergencies

9. Either income must rise or expenses must fall

10. So the budget uses real spending, not guesses

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