PRACTICAL AND FINANCIAL LITERACY

Income and Expenses

Difficulty level: Easy

Practical and Financial Literacy

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Overview of the concept

This is how you check whether the money coming in covers the money going out, so you know if you are saving or overspending at the end of the month. Every household, business, and budget runs on this one comparison, and it is the first thing to check before any bigger money decision. If the money coming in is bigger, you are saving, and if it is smaller, you need to change something before the gap becomes a debt.



Rule

Surplus or shortfall: surplus (or shortfall) = income - expenses.

Add up all the income, add up all the expenses, and subtract the expenses from the income. A positive answer is a surplus, and a negative answer is a shortfall.

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Worked examples

EXAMPLE 1

Q You earn $800 from a job and $200 from chores. You spend $600 on food and $150 on transport. What is left?

SOLUTION

This is a budget question, and the one rule to remember is: add up all the money in, add up all the money out, then subtract.

Money in: $800 + $200 = $1,000. Money out: $600 + $150 = $750

$1,000 - $750 = $250. You have a $250 surplus.

EXAMPLE 2

Q You earn $900 in a month but spend $700 on rent and $300 on food. What happens?

SOLUTION

Money in: $900. Money out: $700 + $300 = $1,000

$900 - $1,000 = -$100, so you are $100 short.

That is a $100 shortfall. When the money out is bigger than the money in, the answer is a shortfall, not a negative surplus to hide.

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Practice questions

1 **Your income is $1,000 and your expenses are $750. How much is left?**

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2 **Your income is $1,200. You spend $400 on rent and $300 on food. How much is left?**

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3 **In one week you earn $600 from a job and $100 from chores. You spend $400 on food and $100 on transport. What is your surplus?**

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4 A club takes in $1,500 from ticket sales and spends $900 on the hall. What is the surplus?

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5 You earn $900 in a month but spend $1,000. How much are you short?

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6 You earn $20 a week and spend $12 a week. How much do you save in 6 weeks?

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7 A lemonade stand earns $500 and spends $500 on supplies. Are you ahead, behind, or even?

- **A** Ahead by $500
- **B** Behind by $500
- **C** Even, nothing left and nothing owed
- **D** Ahead by $1,000

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8 You have a surplus of $250. Your rent goes up by $100 and your income stays the same. What happens to your surplus?

- **A** It rises by $100
- **B** It falls by $100
- **C** It stays the same
- **D** It falls to $0

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Which of these is a need and which is a want: rent, or a movie ticket?

A Rent is a need; a movie ticket is a want

B Rent is a want; a movie ticket is a need

C Both are needs

D Both are wants

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10

Your budget is $100 short each month. You cut $60 of entertainment and $40 of snacks. What is your surplus now?

A $0, it balances

B $100 surplus

C Still $100 short

D $40 surplus

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ANSWER KEY

1. 250

2. 500

3. 200

4. 600

5. 100

6. 48

7. Even, nothing left and nothing owed

8. It falls by $100

9. Rent is a need; a movie ticket is a want

10. $0, it balances

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