

Recordkeeping

Before YOU READ

What You'll Learn

Section 3-1 Compute the average monthly expenditure.

Section 3-2 Use records of past expenditures to prepare a monthly budget sheet.

Section 3-3 Compare amount budgeted to actual expenditures.

When Will You Ever Use This?

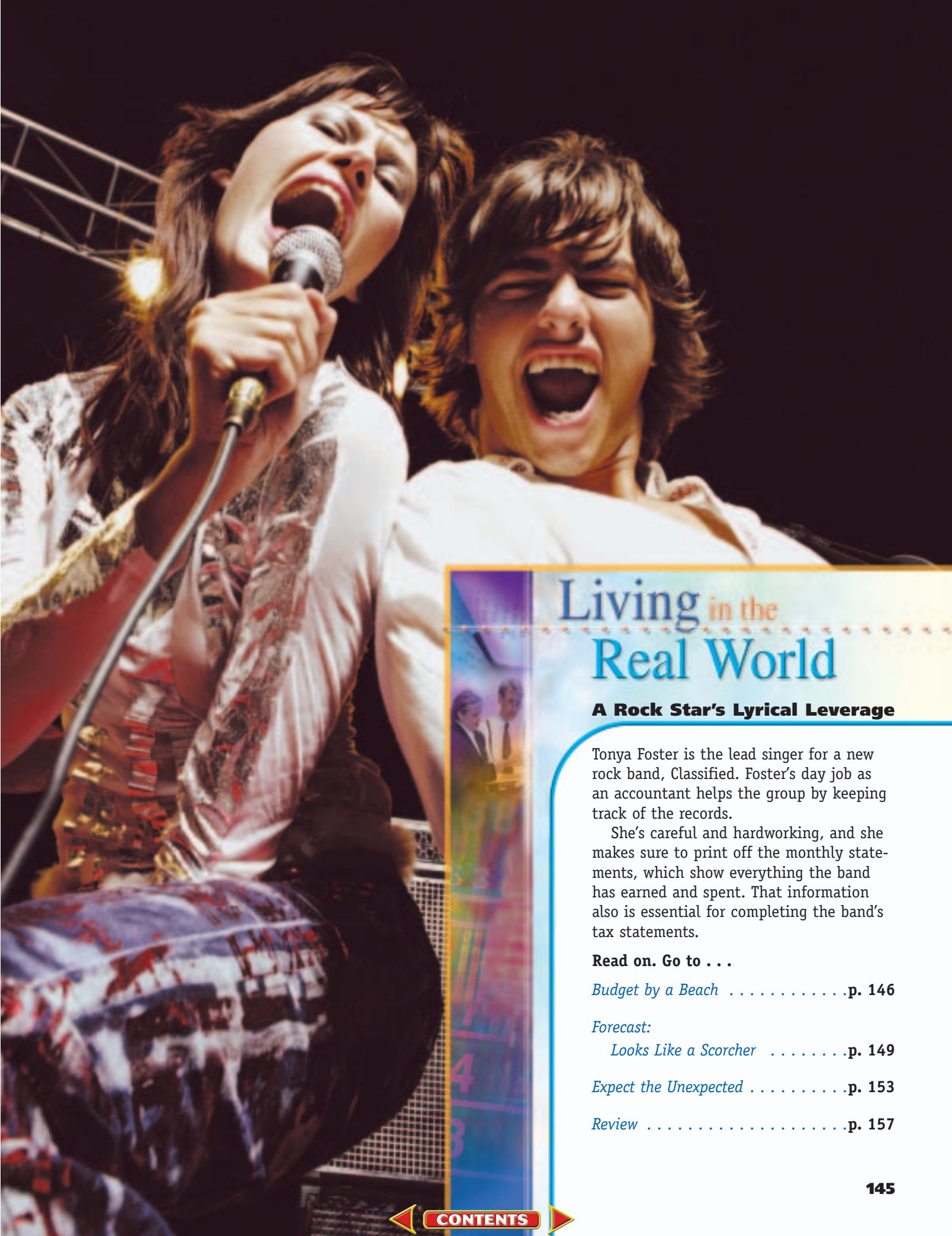
The purpose of a budget is to allow you to compare how much money you are spending with how much money you are earning. Stay out of debt by keeping your expenses less than your earnings.

Key Words to Know

- recordkeeping
- expenditures
- budget sheet
- living expenses
- fixed expenses
- annual expenses
- expense summary
- emergency fund

Mathematics Online

To learn more about recordkeeping, visit busmath.glencoe.com.



Living in the Real World

A Rock Star's Lyrical Leverage

Tonya Foster is the lead singer for a new rock band, Classified. Foster's day job as an accountant helps the group by keeping track of the records.

She's careful and hardworking, and she makes sure to print off the monthly statements, which show everything the band has earned and spent. That information also is essential for completing the band's tax statements.

Read on. Go to . . .

Budget by a Beach p. 146

Forecast:

Looks Like a Scorcher p. 149

Expect the Unexpected p. 153

Review p. 157

SECTION 3-1

Average Monthly Expenditures

Section Objective

Compute the average monthly expenditure.

You might write things down to remember them tomorrow morning or next week. Think of utilizing this same memory device and applying it to your money.

Recordkeeping is a way for you to manage your money. Record your monthly **expenditures**, or the items you spend your money on. By keeping track of your monthly expenditures, you can find out how you have spent your money and how much money you need for living expenses.

Start recording your expenses on a **budget sheet**. Use a notepad to record expenditures on the day you make them. Don't procrastinate because you won't remember where you spent money. So, at the end of the day, record what you've spent. Then at the end of the month, group them and total them. By keeping a record of your expenditures, you'll be able to examine your spending habits. Remember this:

$$\text{Average Monthly Expenditure} = \frac{\text{Sum of Monthly Expenditures}}{\text{Number of Months}}$$

Living in the Real World

A Rock Star's Lyrical Leverage

Budget by a Beach Even though the rock group Classified just formed 11 months ago, it is already making a name for itself. The band has gotten gigs in nearby towns just about every weekend this summer.

Foster keeps track of the expenses, such as new guitar strings, venue rental, better instruments, and advertising. All these expenditures are part of the cost of doing business.

Draw Conclusions What's the importance of Classified's keeping a budget?

Continued on page 149

FYI

The Bureau of Engraving and Printing produces about 37 million pieces of paper money per day. Ninety-five percent of the money printed each year replaces worn-out bills already in circulation.



Example 1

Sue and Bob Miller keep records of their expenditures. They want to know how much they spend each month (on the average). Here are their records for three months. What is their average monthly expenditure?

STEP: Compute the average monthly expenditure.

A. Find the sum of monthly expenditures.

$$\$1,368.22 + \$1,365.00 + \$1,337.21 = \$4,070.43$$

B. Take the sum of monthly expenditures and divide by the number of months.

Sum of Monthly Expenditures ÷ Number of Months

$$\begin{array}{r} \$4,070.43 \\ \div \quad \quad \quad 3 \\ \hline = \$1,356.81 \text{ average monthly expenditure} \end{array}$$

Figure 3.1

July		August		September	
Mortgage payment	\$ 675.00	Mortgage payment	\$ 675.00	Mortgage payment	\$ 675.00
Grocery bill	51.35	Beth's allowance	32.00	Electric bill	51.42
Beth's allowance	32.00	Electric bill	73.56	Doctor bill	35.00
Electric bill	71.47	Restaurant	27.80	Cleaners	17.65
Dentist	43.50	Movies	13.50	Telephone bill	32.75
Telephone bill	27.85	Telephone bill	26.45	Gasoline	16.75
Gasoline	15.60	Donation	25.00	Grocery bill	59.74
Water/sewer bill	31.45	Grocery bill	62.35	Football game	15.00
Credit card payment	41.74	Personal expenses	75.00	Credit card payment	71.46
Baseball game	19.50	Credit card payment	54.92	Gasoline	16.45
Gift	45.00	Gasoline	17.94	Beth's allowance	32.00
Clothing	71.56	Magazine subscription	31.50	Grocery bill	56.74
Car payment	178.50	Car payment	178.50	Car payment	178.50
Grocery bill	63.70	Grocery bill	71.48	Fuel oil	78.75
TOTAL	\$ 1,368.22	TOTAL	\$ 1,365.00	TOTAL	\$ 1,337.21

- Need Help? Go to...
- **Workshop 4:**
Adding Decimals, page 10
 - **Workshop 7:**
Dividing Decimals, page 16
 - **Skill 5:** Adding Decimals, page 732
 - **Skill 11:** Dividing Decimals, page 738
 - **Application A:**
Formulas, page 760
 - **Application Q:**
Mean, page 770



$$1368.22 + 1365 + 1337.21 = 4070.43 \div 3 = 1356.81$$

CONCEPT CHECK

SELF-CHECK

Complete the problems, then check your answers at the end of the chapter. Find the average monthly expenditure.

1. January, \$795; February, \$776; March, \$751
2. May, \$1,571.83; June, \$1,491.75; July, \$1,543.85; August, \$1,526.77

Example 2

Use the Millers' records of monthly expenditures in Figure 3.1 above to find the average monthly amount spent for the electric bill.

STEP: Compute the average monthly expenditure.

A. Find the sum of monthly expenditures.

$$\$71.47 + \$73.56 + \$51.42 = \$196.45$$

B. Take the sum of monthly expenditures and divide by the number of months.

Sum of Monthly Expenditures \div Number of Months

$$\$196.45 \div 3$$

$$= \$65.48 \text{ average monthly expenditure}$$



CONCEPT CHECK

SELF-CHECK

Complete the problems, then check your answers at the end of the chapter. Use the Millers' records of monthly expenditures in Figure 3.1 on page 147 to find the average monthly amount spent for the item indicated.

3. Credit card payment 4. Telephone bill

SECTION 3-1 PRACTICE

Find the average monthly expenditure.


	May	June	July	Aug.	Sept.	Total	Average
5.	\$ 640.00	\$ 710.00	\$ 700.00	\$ 685.00	\$ 705.00	a.	b.
6.	1,178.50	1,091.80	1,207.70	1,197.80	1,245.90	a.	b.
7.	1,789.75	1,741.36	1,707.85	1,751.63	1,811.75	a.	b.
8.	2,311.75	2,210.91	2,371.85	2,353.67	2,412.91	a.	b.
9.	112.11	97.13	106.45	121.85	107.91	a.	b.

Use the Millers' records of monthly expenditures in Figure 3.1 on page 147 to answer the following questions.

10. What is the Millers' average monthly expenditure for groceries?
11. Household costs include amounts for electric bills, telephone bills, water and sewer bills, home fuel oil bills, and so on. What is their average monthly expenditure for household expenses?
12. Entertainment expenses include amounts for restaurants, movies, and recreation. What is their average monthly expenditure for entertainment?
13. What do the Millers pay each month to repay their mortgage loan?
14. Transportation costs include car payments and amounts for gasoline, oil, repairs, and so on. What is their average monthly expenditure for transportation costs?
15. Can you determine how much the Millers save each month? Why or why not?

MAINTAINING YOUR SKILLS

Need Help? Go to...

 **Skill 5: Adding Decimals**, page 732

 **Application Q: Mean**, page 770

Add.

16. $\$716.45 + \820.97

17. $\$21.63 + \$22.71 + \$24.95$

Find the average.

18. $\$1,170, \$1,241, \$1,193, \$1,250$

19. $\$17.91, \$18.43, \$16.25$

SECTION 3-2

Preparing a Budget Sheet

Section Objective

Use records of past expenditures to prepare a monthly budget sheet.

If you have records of your past expenditures, you can use them to prepare a budget sheet outlining your total monthly expenses. You'll want to calculate your **living expenses**. These include amounts for food, utility bills, pocket money, and so on and vary from month to month. Then there are those expenses, which are more fixed, such as rent. These are called **fixed expenses**, and they *don't* vary from one month to the next. Also remember to take into account your **annual expenses** (that is, insurance premiums and real estate taxes), which occur once a year.

$$\begin{array}{r} \text{Total} \\ \text{Monthly} \\ \text{Expenses} \end{array} = \begin{array}{r} \text{Monthly} \\ \text{Living} \\ \text{Expenses} \end{array} + \begin{array}{r} \text{Monthly} \\ \text{Fixed} \\ \text{Expenses} \end{array} + \begin{array}{r} \text{Monthly Share} \\ \text{of Annual} \\ \text{Expenses} \end{array}$$

Living in the Real World

A Rock Star's Lyrical Leverage

Forecast: Looks Like a Scorcher "OK, now let's take a look at this," Foster says after each band member has a copy of her budget sheet. "Notice that I used last summer's expenditures to predict what this summer's will look like. Our living expenses were highest last summer when we were on the road the most. But, of course, we also made more money then. We also have certain annual expenses, including insurance on the van. And you'll notice that as a small business, we're paying our taxes every three months."

Draw Conclusions Why do you think their expenses were highest last summer?

Continued on page 153

Need Help? Go to...

- **Workshop 4:**
Adding Decimals,
page 10
- **Workshop 7:**
Dividing Decimals,
page 16
- **Skill 5:** Adding
Decimals, page 732
- **Skill 11:** Dividing
Decimals, page 738
- **Application A:**
Formulas, page 760

Example 1

The Millers use records of their past expenditures to complete the budget sheet on page 150. What is the total of their monthly expenses?

STEP: Find the total monthly expenses.

Monthly Living Expenses	+	Monthly Fixed Expenses	+	Monthly Share of Annual Expenses	=	Total
\$505.00	+	\$978.50	+	\$219.29	=	\$1,702.79 total monthly expenses



$$505 + 978.5 + 219.29 = 1702.79$$

Continued on next page

Figure 3.2

A Money Manager for <u>Sue and Bob Miller</u>		Date <u>10/1/20--</u>	
MONTHLY LIVING EXPENSES		MONTHLY FIXED EXPENSES	
Food/Grocery Bill	\$ <u>125.00</u>	Rent/Mortgage Payment	\$ <u>675.00</u>
Household Expenses		Car Payment	\$ <u>178.50</u>
Electricity	\$ <u>70.00</u>	Other Installments	
Heating Fuel	\$ <u>45.00</u>	Appliances	\$ _____
Telephone	\$ <u>30.00</u>	Furniture	\$ _____
Water	\$ <u>11.00</u>	Regular Savings	\$ <u>75.00</u>
Garbage/Sewer Fee	\$ _____	Emergency Fund	\$ <u>50.00</u>
Other	\$ _____	TOTAL	\$ <u>978.50</u>
.....	\$ _____	ANNUAL EXPENSES	
Transportation		Life Insurance	\$ <u>575.00</u>
Gasoline/Oil	\$ <u>25.00</u>	Home Insurance	\$ <u>240.00</u>
Parking	\$ _____	Car Insurance	\$ <u>475.00</u>
Tolls	\$ _____	Real Estate Taxes	\$ <u>1,215.00</u>
Commuting	\$ _____	Car Registration	\$ <u>26.50</u>
Other	\$ _____	Pledges/Contributions	\$ <u>100.00</u>
Personal Spending		Other	\$ _____
Clothing	\$ <u>30.00</u>	TOTAL	\$ <u>2,631.50</u>
Credit Payments	\$ <u>60.00</u>	MONTHLY SHARE (Divide by 12)	\$ <u>219.29</u>
Newspaper, Gifts, Etc.	\$ <u>25.00</u>	MONTHLY BALANCE SHEET	
Pocket Money	\$ <u>57.00</u>	Net Income	
Entertainment		(Total Budget)	\$ _____
Movie/Theater	\$ <u>5.00</u>	Living Expenses:	\$ <u>505.00</u>
Sporting Events	\$ <u>12.00</u>	Fixed Expenses:	\$ <u>978.50</u>
Recreation	\$ _____	Annual Expenses:	\$ <u>219.29</u>
Dining Out	\$ <u>10.00</u>	TOTAL MONTHLY EXPENSES	\$ _____
TOTAL	\$ <u>505.00</u>	BALANCE	\$ _____

CONCEPT CHECK

SELF-CHECK

Complete the problems, then check your answers at the end of the chapter. Find the total monthly expenses.

- Living, \$670; fixed, \$800; share of annual, \$350.
- Living, \$475.75; fixed, \$679.65; share of annual, \$291.17.

Example 2

Tanishia and Jabari Brown have monthly living expenses of \$875.00, monthly fixed expenses of \$1,025.80, and annual expenses of \$4,974.00. After calculating the Browns' monthly share of annual expenses, find their total monthly expenses.

STEP 1: Find the monthly share of annual expenses.

$$\frac{\text{Annual Expenses}}{12} = \frac{\$4,974}{12} = \$414.50$$

STEP 2: Add up the expenses.

Monthly Living Expenses	+	Monthly Fixed Expenses	+	Monthly Share of Annual Expenses	=	Total Monthly Expenses
\$875.00	+	\$1,025.80	+	\$414.50	=	\$2,315.30 total monthly expenses

CONCEPT CHECK

SELF-CHECK

Complete the problems, then check your answers at the end of the chapter. Find the monthly share of annual expenses and the total monthly expenses.

	Monthly Living Expenses	Monthly Fixed Expenses	Annual Expenses	Monthly Share of Annual Expenses	Total
3.	\$ 1,200.00	\$ 1,600.00	\$ 4,800.00	a.	b.
4.	885.40	1,458.90	3,658.20	a.	b.

SECTION 3-2 PRACTICE

Betty Kujawa is a landscaper. Her husband, Walter, is a used car salesman. They complete the budget sheet shown using records of their past expenditures. Use the budget sheet to answer the following questions.

Figure 3.3

A Money Manager for <u>Walter and Betty Kujawa</u> Date <u>4/10/20--</u>	
MONTHLY LIVING EXPENSES	
Food/Grocery Bill	\$ <u>160.00</u>
Household Expenses	
Electricity	\$ <u>45.00</u>
Heating Fuel	\$ <u>50.00</u>
Telephone	\$ <u>35.00</u>
Water	\$ <u>24.50</u>
Garbage/Sewer Fee	\$ _____
Other <u>Cable TV</u>	\$ <u>25.00</u>
_____	\$ _____
Transportation	
Gasoline/Oil	\$ <u>85.00</u>
Parking	\$ <u>5.00</u>
Tolls	\$ <u>10.00</u>
Commuting	\$ _____
Other _____	\$ _____
Personal Spending	
Clothing	\$ <u>40.00</u>
Credit Payments	\$ <u>50.00</u>
Newspaper, Gifts, Etc.	\$ <u>20.00</u>
Pocket Money	\$ <u>60.00</u>
Entertainment	
Movie/Theater	\$ <u>10.00</u>
Sporting Events	\$ <u>20.00</u>
Recreation	\$ <u>12.00</u>
Dining Out	\$ <u>100.00</u>
TOTAL	\$ _____
MONTHLY FIXED EXPENSES	
Rent/Mortgage Payment	\$ <u>625.00</u>
Car Payment	\$ _____
Other Installments	
Appliances	\$ _____
Furniture	\$ <u>125.00</u>
Regular Savings	\$ <u>100.00</u>
Emergency Fund	\$ <u>50.00</u>
TOTAL	\$ _____
ANNUAL EXPENSES	
Life Insurance	\$ <u>840.00</u>
Home Insurance	\$ _____
Car Insurance	\$ <u>750.00</u>
Real Estate Taxes	\$ _____
Car Registration	\$ <u>52.00</u>
Pledges/Contributions	\$ <u>100.00</u>
Other _____	\$ _____
TOTAL	\$ _____
MONTHLY SHARE (Divide by 12)	\$ _____
MONTHLY BALANCE SHEET	
Net Income	
(Total Budget)	\$ <u>1,800.00</u>
Living Expenses:	\$ _____
Fixed Expenses:	\$ _____
Annual Expenses:	\$ _____
TOTAL MONTHLY EXPENSES	\$ _____
BALANCE	\$ _____

- What are the Kujawas' total monthly living expenses?
- What is the total of their monthly fixed expenses?
- What is the total of their annual expenses?
- What must be set aside each month for annual expenses?
- What are their total monthly expenses?
- Do the Kujawas live within their monthly net income?
- What individual expenses would be difficult for the Kujawas to cut back on?

Continued on next page

Nancy and Joe Thomas completed the budget sheet shown using records of their past expenditures. Use the budget sheet to answer the following questions.

Figure 3.4

A Money Manager for <u>Nancy and Joe Thomas</u> Date <u>7/20/20--</u>	
MONTHLY LIVING EXPENSES	
Food/Grocery Bill	\$ <u>210.00</u>
Household Expenses	
Electricity	\$ <u>55.65</u>
Heating Fuel	\$ <u>63.75</u>
Telephone	\$ <u>21.47</u>
Water	\$ <u>31.80</u>
Garbage/Sewer Fee	\$ <u>17.21</u>
Other <u>Security</u>	\$ <u>25.00</u>
.....	\$ _____
Transportation	
Gasoline/Oil	\$ <u>60.00</u>
Parking	\$ <u>35.00</u>
Tolls	\$ <u>12.00</u>
Commuting	\$ <u>20.00</u>
Other	\$ <u>35.00</u>
Personal Spending	
Clothing	\$ <u>100.00</u>
Credit Payments	\$ <u>25.00</u>
Newspaper, Gifts, Etc.	\$ <u>16.75</u>
Pocket Money	\$ <u>32.00</u>
Entertainment	
Movie/Theater	\$ <u>20.00</u>
Sporting Events	\$ <u>20.00</u>
Recreation	\$ <u>15.00</u>
Dining Out	\$ <u>32.00</u>
TOTAL	\$ _____
MONTHLY FIXED EXPENSES	
Rent/Mortgage Payment	\$ <u>715.20</u>
Car Payment	\$ _____
Other Installments	
Appliances	\$ <u>57.75</u>
Furniture	\$ <u>110.80</u>
Regular Savings	\$ <u>75.00</u>
Emergency Fund	\$ <u>50.00</u>
TOTAL	\$ _____
ANNUAL EXPENSES	
Life Insurance	\$ <u>480.00</u>
Home Insurance	\$ <u>180.00</u>
Car Insurance	\$ <u>475.00</u>
Real Estate Taxes	\$ <u>1,200.00</u>
Car Registration	\$ <u>26.50</u>
Pledges/Contributions	\$ <u>360.00</u>
Other	\$ _____
TOTAL	\$ _____
MONTHLY SHARE (Divide by 12)	\$ _____
MONTHLY BALANCE SHEET	
Net Income	
(Total Budget)	\$ <u>1,800.00</u>
Living Expenses:	\$ _____
Fixed Expenses:	\$ _____
Annual Expenses:	\$ _____
TOTAL MONTHLY EXPENSES	\$ _____
BALANCE	\$ _____

12. What is the total of their monthly living expenses?
13. What is the total of their monthly fixed expenses?
14. What is the total of their annual expenses?
15. What must be set aside each month for annual expenses?
16. What is their total monthly expenditure?
17. Do the Thomases live within their monthly net income?
18. What individual expenses would be difficult for the Thomases to cut back on?

MAINTAINING YOUR SKILLS

Need Help? Go to...

- ▶ Skill 5: Adding Decimals, page 732
- ▶ Skill 11: Dividing Decimals, page 738

Add.

- | | |
|--|---|
| <p>19. $75 + 45 + 53 + 68$</p> <p>21. $6.18 + 7.23 + 4.37 + 7.96$</p> <p>23. $619.76 + 723.39 + 671.46$</p> | <p>20. $475.80 + 519.20 + 647.80$</p> <p>22. $71.14 + 86.23 + 64.91$</p> <p>24. $1,178.21 + 1,371.89 + 1,475.84$</p> |
|--|---|

Divide. Round to the nearest cent.

- | | |
|---|---|
| <p>25. $241 \div 4$</p> <p>27. $25.74 \div 4$</p> | <p>26. $1,642.80 \div 3$</p> <p>28. $222.28 \div 3$</p> |
|---|---|

SECTION 3-3 Using a Budget

Section Objective

Compare the amount budgeted to actual expenditures.

Once you have completed a budget sheet outlining your past expenditures, you can use it to plan for future spending. You may want to prepare a monthly **expense summary**. This compares the amounts that you spend to the amounts that you have budgeted. When you draft a budget, you should include an **emergency fund**. This is extra monies set aside to be used for unpredictable expenses, such as medical bills and vehicle repairs.

Living in the Real World

A Rock Star's Lyrical Leverage

Expect the Unexpected Phillippe says, "OK, Tonya, so we've seen what you've budgeted, but how much are we actually spending?"

Foster smiles and hands out another set of papers on which she has compared the amount the band has actually spent with the amount she budgeted for each of the last six months.

Draw Conclusions List a few "surprise" expenses that you might incur in a year.

Continued on page 157

Need Help? Go to...

- **Workshop 3:**
Comparing
Numbers, page 8
- **Workshop 5:**
Subtracting
Decimals, page 12
- **Skill 1:** Numbers,
page 727
- **Skill 6:** Subtracting
Decimals, page 733

Example 1

The Zornows have always kept accurate records of their expenditures. At the end of March, they prepared an expense summary. They had planned to spend \$220 on groceries. They actually spent \$231.85. How much more or less did they spend on groceries than they had budgeted for?

STEP 1: Compare.

Is the amount spent more or less than the amount budgeted?
Is \$231.85 more or less than \$220.00? (More.)

STEP 2: Find the difference.

$\$231.85 - \$220.00 = \$11.85$ more than the amount budgeted

CONCEPT CHECK

Complete the problems, then check your answers at the end of the chapter. Find how much more or less the amount spent is than the amount budgeted.

1. Budgeted \$167.80, spent \$158.90.
2. Budgeted \$647.50, spent \$671.92.

SELF-CHECK

Example 2

Ignacia and Duardo Escobar kept accurate records of their expenditures. At the end of September, they prepared an expense summary. They had planned to spend \$210 on transportation. They actually spent \$197.80. How much more or less did they spend on transportation than they had budgeted for?

STEP 1: Is the amount spent more or less than the amount budgeted?

Is \$197.80 more or less than \$210? (Less.)

STEP 2: Find the difference.

$\$210.00 - \$197.80 = \$12.20$ less than the amount budgeted

CONCEPT CHECK

SELF-CHECK

Complete the problems, then check your answers at the end of the chapter. Find how much more or less the amount spent is than the amount budgeted.

- For May's grocery bills, Maki Hakola budgeted \$176.80. She actually spent \$161.75.
- Rishi Maharan's telephone bill for June was \$53.78, but he budgeted only \$45.

SECTION 3-3 PRACTICE

Figure 3.5 on page 155 is the Kujawas' expense summary for the month of July. They want to compare what they had budgeted to what they actually spent. Use the Kujawas' expense summary to answer the following questions.

- Which expenses for the month were more than the amount budgeted?
- Did they spend more or less than the amount budgeted for household expenses for the month? By how much?
- How much did they budget for transportation costs? Were the amounts spent for transportation during the month more or less than the amount budgeted? By how much?
- Which personal expenses did they spend more on than they had budgeted?
- Were their total personal expenditures for the month more or less than the amount budgeted? By how much?
- Were their total entertainment expenditures for the month more or less than the amount budgeted? By how much?
- Were there any monthly fixed expenses for which the Kujawas spent more than the amount budgeted?
- What annual expenses occurred during the month? Was the amount budgeted for annual expenses more or less than the amount actually spent?
- What was the Kujawas' total expenditure for the month of July? Was this amount more or less than the amount they had originally budgeted? By how much?

Figure 3.5

Expenditures for the Month of July		
Expenses	Amount Budgeted	Actual Amount Spent
Food	\$160.00	\$175.70
Household		
Electric Bill	45.00	44.35
Telephone Bill	35.00	41.20
Heating Fuel	50.00	15.00
Water Bill	24.50	31.70
Cable TV Bill	25.00	25.00
Transportation		
Gasoline Purchases	85.00	101.70
Parking/Tolls	15.00	15.00
Personal		
Clothing	40.00	31.75
Credit Payments	50.00	41.74
Newspapers, Gifts	20.00	11.65
Pocket Money	60.00	72.00
Entertainment		
Movies	10.00	5.00
Sporting Events/Recreation	32.00	32.00
Dining Out	100.00	63.80
Fixed		
Rent	625.00	625.00
Furniture	125.00	125.00
Savings	100.00	100.00
Emergency Fund	50.00	50.00
Life/Car Insurance Premiums	132.50	132.50
Car Registration	4.33	0.00
Pledges, Contributions	8.33	0.00

14. Your total monthly expenditure will vary from month to month. During the winter months, your home heating bills may push your total monthly expenditure over the amount budgeted. In some months, spending will be less. Name some factors that might affect your spending for specific months.

MAINTAINING YOUR SKILLS

Need Help? Go to...

- Skill 1: Numbers, page 727
- Skill 6: Subtracting Decimals, page 733

Identify which number is greater.

15. \$174.85 or \$159.94 16. \$35 or \$37.19
 17. \$2,215.73 or \$2,231.61 18. \$302.01 or \$301.99

Subtract.

19. \$47.50 – \$43.86 20. \$171.84 – \$165.00
 21. \$19.47 – \$15.50 22. \$1,712.50 – \$1,697.43
 23. \$2,179.84 – \$2,050.00 24. \$3,500.00 – \$3,147.81

SECTION 3-1 CONCEPT CHECK (p. 147, 148)

1. $(\$795 + \$776 + \$751) = \$2,322$
 $\$2,322 \div 3 = \774
2. $\$1,571.83 + \$1,491.75 + \$1,543.85 + \$1,526.77 = \$6,134.20$
 $\$6,134.20 \div 4 = \$1,533.55$
3. $(\$41.74 + \$54.92 + \$71.46) = \168.12
 $\$168.12 \div 3 = \56.04
4. $(\$27.85 + \$26.45 + \$32.75) = \87.05
 $\$87.05 \div 3 = \29.02

SECTION 3-2 CONCEPT CHECK (p. 150, 151)

1. $\$670 + \$800 + \$350 = \$1,820$
2. $\$475.75 + \$679.65 + \$291.17 = \$1,446.57$

	Monthly Living Expenses	Monthly Fixed Expenses	Annual Expenses	Monthly Share of Annual Expenses	Total
3.	\$ 1,200.00	\$ 1,600.00	\$ 4,800.00	a. \$400.00	b. \$3,200.00
4.	885.40	1,458.90	3,658.20	a. 304.85	b. 2,649.15

SECTION 3-3 CONCEPT CHECK (p. 153, 154)

1. $\$167.80 - \$158.90 = \$8.90$ less
2. $\$671.92 - \$647.50 = \$24.42$ more
3. $\$176.80 - \$161.75 = \$15.05$ less
4. $\$53.78 - \$45 = \$8.78$ more

Living in the Real World

A Rock Star's Lyrical Leverage

Review Money shouldn't get in the way of making art, right? Wrong. While artists and musicians like the idea of practicing their craft, they also have to remember that without money to buy the necessities in life, they're not going to get very far. That's why everyone—no matter what your profession is—must be able to keep records of expenses and stick to a smart budget.

1. **Recording.** Estimate what you think your family will spend during the next month. Now keep track of actual family expenditures for one month. Compare your family's actual expenditures with your estimates.
2. **Itemizing.** List all the types of items your family pays for during a three-month period. Include necessities such as rent or mortgage payments, food, clothing, and transportation. Also list luxuries such as entertainment and vacation travel. Show the list to a family member and see if he or she has other items to add to your budget list. Did you include items that your family member didn't? Were things added that you hadn't thought about?



After YOU READ

REVIEW OF KEY WORDS

recordkeeping (p. 146)
 expenditures (p. 146)
 budget sheet (p. 146)

living expenses (p. 149)
 fixed expenses (p. 149)
 annual expenses (p. 149)

expense summary (p. 153)
 emergency fund (p. 153)

Determine if the following statements are true or false.

1. Good **recordkeeping** requires that you keep an accurate record of how you spend your money.
2. Your monthly **expenditures** include the money you earn plus the money you spend each month.
3. When you're preparing a budget, you'll want to calculate your **living expenses**.
4. **Fixed expenses** change from month to month.
5. To complete a **budget sheet**, you can use past records to know what you have spent in the past.
6. **Living expenses** do not vary from month to month.
7. **Fixed expenses** include amounts spent on food, utility bills, and spending money.
8. Car insurance premiums and real estate taxes are examples of **annual expenses**.
9. To determine your **expense summary**, you must have at least three years of history to review.
10. To budget for the unexpected, you should include an **emergency fund**.

Skills and Concepts

SECTION OBJECTIVE 3-1 AND EXAMPLES

Compute the average monthly expenditure.

Kewan Johnson keeps records of his living expenses. Total monthly expenses for January, February, and March were \$1,341.29, \$1,438.77, and \$1,399.11, respectively. What was his average monthly expenditure?

STEP: Compute the average monthly expenditure.

Sum of Monthly Expenditures

Number of Months

$$\$1,341.29 + \$1,438.77 + \$1,399.11 = \$4,179.17$$

$$\frac{\$4,179.17}{3} = \$1,393.06 \text{ average monthly expenditure}$$

REVIEW EXERCISES

Find the average monthly expenditure.

11. Sabrina West has been keeping track of her parent's living expenses. The total monthly expenses for June, July, August, and September were \$2,334.09, \$2,567.33, \$3,451.96, and \$1,988.78, respectively.
12. January, \$867; February \$763; March, \$671.
13. September electric bill, \$87.55; October electric bill, \$97.34; November electric bill, \$100.44; December electric bill, \$156.88.
14. November gasoline bill, \$51.34; December gasoline bill, \$78.09; January gasoline bill, \$61.29; February gasoline bill, \$56.89.

SECTION OBJECTIVE 3-2 AND EXAMPLES

Use records of past expenditures to prepare a monthly budget sheet.

Use the budget sheet on page 159 to answer the questions below.

STEP: Find the total monthly expenses.

Monthly Living Expenses + Monthly Fixed Expenses + Monthly Share of Annual Expenses

- A. What is the total of Kevin Berstein's monthly living expenses?

STEP: Add all items in first column under Monthly Living Expenses.

$$\text{Total} = \$1,033.00$$

- B. What is the total of his monthly fixed expenses?

STEP: Add.

$$\$1,160.00 + \$235.00 + \$200.00 + \$150.00 = \$1,745.00 \text{ monthly fixed expenses}$$

- C. What is the total of his annual expenses?

STEP: Add.

$$\$875.00 + \$960.00 + \$995.00 + \$674.00 + \$76.75 + \$120.00 = \$3,700.75 \text{ total annual expenses}$$

D. What must he set aside each month for his annual expenses?

STEP: Divide.

$$\$3,700.75 \div 12 = \$308.40 \text{ set aside monthly}$$

E. What is the total of his monthly expenses?

STEP: Add.

$$\$1,033.00 + \$1,745.00 + \$308.40 = \$3,086.40 \text{ total monthly expenses}$$

F. Does Berstein live within his monthly net income?

STEP: Subtract.

$$\$3,750.00 - \$3,086.40 = \$663.60; \text{ Yes}$$

G. What individual expenses would be difficult for Berstein to cut?

STEP: Analyze.

All annual expenses, mortgage, car payment, electricity, and heating fuel.

A Money Manager for <u>Kevin Bernstein</u> Date <u>October</u>	
MONTHLY LIVING EXPENSES	
Food/Grocery Bill	\$ <u>150.61</u>
Household Expenses	
Electricity	\$ <u>89.68</u>
Heating Fuel	\$ <u>67.82</u>
Telephone	\$ <u>45.72</u>
Water	\$ <u>11.00</u>
Cable TV	\$ <u>39.95</u>
Transportation	
Gasoline/Oil	\$ <u>45.80</u>
Parking	\$ <u>70.50</u>
Tolls	\$ <u>8.00</u>
Commuting	\$ <u>60.00</u>
Misc.	\$ <u>24.88</u>
Personal Spending	
Clothing	\$ <u>98.24</u>
Credit Payments	\$ <u>55.00</u>
Newspaper, Gifts, Etc.	\$ <u>20.12</u>
Pocket Money	\$ <u>115.00</u>
Entertainment	
Movie/Theater	\$ <u>55.00</u>
Dining Out	\$ <u>75.68</u>
TOTAL	\$ <u>1,033.00</u>
MONTHLY FIXED EXPENSES	
Mortgage Payment	\$ <u>1,160.00</u>
Car Payment	\$ <u>235.00</u>
Regular Savings	\$ <u>200.00</u>
Emergency Fund	\$ <u>150.00</u>
TOTAL	\$ <u>1,745.00</u>
ANNUAL EXPENSES	
Life Insurance	\$ <u>875.00</u>
Home Insurance	\$ <u>960.00</u>
Car Insurance	\$ <u>995.00</u>
Real Estate Taxes	\$ <u>674.00</u>
Car Registration	\$ <u>76.75</u>
Contributions	\$ <u>120.00</u>
TOTAL	\$ <u>3,700.75</u>
MONTHLY SHARE (Divide by 12)	\$ <u>308.40</u>
MONTHLY BALANCE SHEET	
Net Income	
(Total Budget)	\$ <u>3,750.00</u>
Living Expenses	\$ <u>1,033.00</u>
Fixed Expenses	\$ <u>1,745.00</u>
Annual Expenses	\$ <u>308.40</u>
TOTAL MONTHLY EXPENSES	\$ <u>3,086.40</u>
BALANCE	\$ <u>663.60</u>

Continued on next page

REVIEW EXERCISES

Use the budget sheet to answer the following questions.

- 15. What are Whang’s total monthly living expenses?
- 16. What are Whang’s total monthly fixed expenses?
- 17. What must be set aside each month for annual expenses?
- 18. What is Whang’s total monthly expenditure?
- 19. Is Whang able to live within her monthly net income of \$2,100?

A Money Manager for <u>Leslie Whang</u> Date <u>February</u>	
MONTHLY LIVING EXPENSES	
Food/Grocery Bill	\$ <u>130.65</u>
Household Expenses	
Electricity	\$ <u>75.66</u>
Heating Fuel	\$ <u>34.55</u>
Telephone	\$ <u>38.76</u>
Water	\$ <u>12.30</u>
Cable TV	\$ <u>56.00</u>
Transportation	
Gasoline/Oil	\$ <u>102.33</u>
Parking	\$ <u>60.00</u>
Personal Spending	
Clothing	\$ <u>57.74</u>
Credit Payments	\$ <u>98.00</u>
Newspaper, Gifts, Etc.	\$ <u>45.34</u>
Pocket Money	\$ <u>85.00</u>
Entertainment	
Movie/Theater	\$ <u>15.00</u>
Dining Out	\$ <u>35.68</u>
TOTAL	\$ _____
MONTHLY FIXED EXPENSES	
Rent Payment	\$ <u>660.00</u>
Car Payment	\$ <u>185.00</u>
Regular Savings	\$ <u>100.00</u>
Emergency Fund	\$ <u>50.00</u>
TOTAL	\$ _____
ANNUAL EXPENSES	
Life Insurance	\$ <u>675.00</u>
Renter’s Insurance	\$ <u>360.00</u>
Car Insurance	\$ <u>895.00</u>
Car Registration	\$ <u>56.75</u>
Contributions	\$ <u>100.00</u>
TOTAL	\$ _____
MONTHLY SHARE (Divide by 12)	\$ _____
MONTHLY BALANCE SHEET	
Net Income	
(Total Budget)	\$ <u>2,200.00</u>
Living Expenses	\$ _____
Fixed Expenses	\$ _____
Annual Expenses	\$ _____
TOTAL MONTHLY EXPENSES	\$ _____
BALANCE	\$ _____

SECTION OBJECTIVE 3-3 AND EXAMPLES

Compare amount budgeted to actual expenditures.

Oscar and Maria Vasquez kept accurate records of their expenditures. Compare the amount budgeted to the amount spent. (You'll find the rest of the example and accompanying problems on page 162.)

Expenditures		
Expenses	Amount Budgeted	Actual Amount Spent
Food	\$235.00	\$261.38
Household		
Electric	48.48	51.29
Telephone	65.90	59.88
Heating Fuel	46.77	60.10
Water Bill	12.30	12.30
Garbage/Sewer Fee	21.90	19.85
Security	19.95	21.95
Transportation		
Gasoline	68.00	87.00
Parking/Misc.	75.00	60.80
Personal		
Clothing	125.00	73.89
Credit Payments	50.00	50.00
Newspapers/Gifts	45.00	39.85
Pocket Money	60.00	75.12
Entertainment		
Movies	30.00	22.50
Sports Events	35.00	38.00
Dining Out	75.00	82.35
Fixed		
Mortgage Payments	859.00	859.00
Loan Payments	185.23	185.23
Savings	125.00	125.00
Life/Home/Car Insurance	186.50	186.50
Property Taxes	93.45	93.45
Car Registration	5.41	0.00
Pledges/Contributions	40.00	40.00

Continued on next page

- A. Which household expenses for the month were more than the amount budgeted?

STEP: Critically think. Compare and contrast.

Household expenses: food, electric, heating fuel, security, gas/oil, pocket money, sports events, dining out.

- B. Did Oscar and Maria spend more or less than the amount budgeted for household expenses for the month? By how much?

STEP 1: Find the amounts. Compare.

Household expenses budgeted = \$215.30

Actual household expenses = \$225.37

STEP 2: Find the difference.

$\$225.37 - \$215.30 = \$10.07$

They spent more than budgeted by \$10.07.

REVIEW EXERCISES

20. Which transportation expenses were more than the amount budgeted?
21. How much did they budget for personal costs? Were the amounts spent for personal more or less than the amount budgeted? By how much?
22. Were their total entertainment expenditures for the month more or less than the amount budgeted?
23. Were there any monthly fixed expenses for which the Vasquezes spent less than the amount budgeted?
24. What was the Vasquez's total expenditures for the month of September? Was this amount more or less than the amount they had originally budgeted? By how much?



25. **Language Arts** Patricia Oakley is a motivational speaker. She travels all over the country speaking to high school students about the importance of staying in school. Her total monthly expenses for February, March, and April were \$6,512.30, \$8,397.25, and \$926.58 respectively. What was her average monthly expenditure? (Section 3-1.)



26. **Computer Technology** Adil Najam has applied for a position with a computer manufacturing company. Najam has been reviewing his monthly expenses so he can negotiate a salary. His monthly living expenses are \$879, his monthly fixed expenses are \$1,207.28, and his annual expenses total \$1,965 per year. What is Najam's total monthly expenditure? (Section 3-2.)

Budgeting Your Way to Luxury Does a budget make you shudder? After all, doesn't it mean to cut back, sacrifice, and do without? Actually "to budget" means "to plan or schedule." So instead of cringing when someone tells you to budget your finances, think of it this way: If you plan well today, you will be able to enjoy some of your important financial goals in the future.

So what are your future financial goals? They might include big-ticket items such as a ski trip, a new stereo, a car, or even a college education. Along the way to achieving those goals, you will be able to afford other smaller prizes, such as that new coat you've wanted or a special gift for someone.

27.
 - a. What kinds of expenses do you have?
 - b. Which of your family's expenses are the same (or fixed) expenses each month?
 - c. Which expenses change (or are variable)?
 - d. Where do you think you can trim expenses most easily?
28. Record each of your family's expenses for a month. Re-create these tables, and use them to record the expenses. Identify your personal financial goals and create an action plan. Based on your personal and household needs and values, identify specific goals that require action.

Monetary Goals				
Description	Amount Needed	Months to Achieve	Action to Be Taken	Priority
Example: Mortgage	\$900	1	Always pay on time so penalties and extra interest won't be assessed.	High

Nonmonetary Goals		
Description	Time Frame	Actions to Be Taken
Example: Set up personal financial records and documents.	Next 2 to 3 months	Locate all personal finance records; set up files for receipts, savings, and checking

29. Make a list of ways you can save money, but still enjoy yourself (i.e., go to the matinee, rather than an evening show; walk instead of drive to school; eat out less often).



Thinking Critically

Compare the list to your monthly expense record and figure out how much money you would save each month if you trimmed each of these expenses.



Portfolio

Select one of the assignments in this chapter that you found especially challenging, and place it in your portfolio.