

7.3 Budgets

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Name: _____

Block _____

WARM-UP QUESTIONS: treat this as a "quiz" try to do them on your own and without your notes...this will give you a good idea of where you're at!

1. Calculate the weekly income for the following people:

- a. A dentist who makes \$85/hour who works 40 hours per week.

$$(85) \cdot (40) = \$3,400$$

- b. A student making minimum wage, \$12.65 for their first job at a bakery working 20 hours per week.

$$(12.65)(20) = \$253$$

- c. An electrician who makes \$38/hour for the first 35 hours of work and then time and a half for any additional hour. Calculate the electrician's income if they worked 45 hours in one week.

$$45 \text{ hr} = 35 \text{ reg. hr} + 10 \text{ overtime}$$

$$[(35)(\$38) + (10 \times 1.5)(\$38)] = \$1,900$$

2. Using the base formula $I = P \times r \times t$ calculate the following:

- a. The amount of interest earned on an investment of \$500 at a rate of 12% invested for 3 years.

$$I = ?$$

$$P = 500$$

$$r = 0.12$$

$$t = 3$$

$$I = P \cdot r \cdot t$$

$$I = (500)(0.12)(3)$$

$$I = \$180$$

- b. The amount of principal needed to earn \$48 of interest when invested at a rate of 4% for 5 years.

$$I = 48$$

$$P = ?$$

$$r = 0.04$$

$$t = 5$$

$$\frac{I}{r \cdot t} = \frac{P \cdot r \cdot t}{r \cdot t}$$

$$P = \frac{I}{r \cdot t} = \frac{(48)}{(0.04)(5)} = \frac{48}{0.2} = \$240$$

- c. The amount of time needed for a principal of \$1500 invested at a rate of 6% to earn \$100 in interest.

$$I = 100$$

$$P = 1500$$

$$r = 0.06$$

$$t = ?$$

$$\frac{I}{P \cdot r} = \frac{P \cdot r \cdot t}{P \cdot r}$$

$$t = \frac{I}{P \cdot r} = \frac{100}{(1500)(0.06)} = \frac{100}{90} = 1.11$$

BEDMAS

With a partner discuss what a **budget** is and write a definition below:

A budget is an estimate of expected income and expenses for a certain period of time.

What are **fixed expenses**?

expenses that are the same each month

Examples: mortgage, car insurance / payments, phone bill, subscriptions, cable/internet.

What are **variable expenses**?

expenses that can change each month depending on your activity / behavior

Examples: phone, electricity, water bill, holiday/trips, food / groceries, entertainment

Balanced budget - a budget in which the total income is equal to the total expenses

WHEN DEVELOPING A BUDGET THERE ARE 3 THINGS TO KEEP IN MIND:

- Tracking spending**: for at least a month, record everything you spend, even a purchase as small as a coffee. At the end of one month, specific spending habits will become obvious. These spending habits will allow you to develop an accurate budget you can stick to!
- Identify monthly income**: for most high school students this will vary. Especially if you do not have a regular part time job. This could include things like babysitting, delivering newspapers, an allowance, etc. Try to make a budget based on the **LEAST** amount of money you are likely to make during the month.
- Consider Fixed + Variable expenses**: fixed expenses are the same each month, such as car payments, subscriptions, etc. Variable expenses can change each month, such as electricity and phone bills, cost/money spent on food or entertainment. If you track your expenses closely, it is possible to come up with an accurate estimate - best to estimate high to be safe!

Needs Versus Wants

Needs: What is necessary for survival. For example food, water, shelter, clothing, education, health care, safety and security.

Wants: The desire for things that are not necessary, but which add comfort and pleasure to our lives; something that would be nice to have.

Peer Pressure: People buy goods because their friends or neighbours (peers) have them. Sometimes people buy expensive items even when they can't afford them.

To tell is something is a WANT or a NEED.

	Yes	No
Can I live without this?		
Can I work without this?		
Would other people say this is a WANT?		

If you answer no to any question, it is a NEED. If you answer yes to all 3 questions, it is a WANT.

Budget Worksheets

Since October, Andrea has been trying to follow the monthly budget she created below:

Item	Income (+)	Expense (-)	Balance
Income from work and allowance of \$40	\$400		+ 400.00
Phone plan		\$55	+ 345.00 (400-55)
Entertainment		\$35	+ 310.00 (345-35)
Clothing		\$70	+ 240.00 (310-70)
Miscellaneous		\$40	+ 200.00 (240-40)

In December Andrea receives her \$40 allowance and a pay cheque of \$310.45 for her month of work. She spends \$53.89 on entertainment, \$60.00 on clothes and \$75.00 on miscellaneous items. She also pays her phone plan bill of \$55.

- a. What is the balance of Andrea's actual budget at the end of the month of December?

Item	Income (+)	Expense (-)	Balance
Income from work and allowance of \$40	350.45		350.45
Phone plan		55.00	295.45 (350.45-55)
Entertainment		53.89	241.56 (295.45-53.89)
Clothing		60.00	181.56 (241.56-60)
Miscellaneous		75.00	106.56 (181.56-75)

- b) Does Andrea have any fixed income or fixed expenses?

• \$40 allowance • phone bill \$55

- c) Did Andrea stick to her budget? Why or why not?

No. she spent more on entertainment + misc.
she spent less on clothing.

Budgeting for an Event

→ 3 ppl.

Carl and his two friends choose a campsite that charges \$41.75 per night for up to four people. They estimate food will cost \$10 per person for each night of camping. They would like to spend one day kayaking. It is \$45.00 per person to rent a kayak for a day. If they camp for two nights and each person has \$100 to spend, will they have a balanced budget?

Cost of camping	Income (+)	Expense (-)
campsite \$41.75 × 2		83.50
Food (\$10 × 3) × 2		60.00
Kayaking \$45 × 3		135.00
Each person \$100 × 3	300.00	
Total	300.00	278.50

How much per person

$$\frac{\$278.50}{3}$$

= \$92.83 per person
balanced.

PRACTICE

Barry is in grade 10 and he lives with his parents; he doesn't pay rent, utilities, or food expenses. He works 15 hours per week at a pizza parlour, and his net income after taxes is \$600 a month. His older brother owns a car and lets him borrow it to drive to work when it is available for \$50 each month; otherwise Barry takes the bus. He really wants to buy a car, so any money that isn't spent at the end of the month goes towards savings for a used car. Analyze Barry's spending to determine why he is not on track to be able to purchase a car, and suggest what changes he could make to purchasing a car possible.

Fixed Expenses	Budget Goals	Actual Spending
Savings for Car	\$100	\$0
Cell Phone	\$75	\$100
Car Payment to Brother	\$50	\$100

Variable Expenses	Budget Goals	Actual Spending
Public Transportation	\$50	\$60
Entertainment	\$50	\$65
Personal Shopping	\$50	\$175
Miscellaneous	\$25	\$100
Total (Variable + Fixed)	\$400	\$600

Homework	Required	Extra Practice	Extension
Assignment #7.3 pg 262 - 265	#1, 2, 3, 4, 5, 6, 8, 10	7, 9	11