7.3 Budgets

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.

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

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

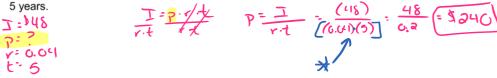
$$\left[(35)(338) + (10 \times 15)(538) \right] = \frac{5}{1900}$$

- 2. Using the base formula I = P x r x t calculate the following:
- a. The amount of interest earned on an investment of \$500 at a rate of 12% invested for 3 years.

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

 $P : 500$
 $V = 0.12$
 $t : 3$
 $I = P \cdot r \cdot t$
 $I = (500)(0.12)(3)$

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



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

I=
$$\frac{1}{p}$$
 $\frac{1}{p}$ \frac

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

What are variable expenses?

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

phone, electricity, water bill, holiday/trips, food/groceries

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:

- 1. 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!
- 2. Identify monthly incompor 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 amount of money you are likely to make during the month.
- 3. 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

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?		\top
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

"balance, budget

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

Item \$360	Income (+)	Expense (-)	Balance	
Income from work and allowance of \$40	\$400		+ 400.00	
Phone plan		\$55	+ 345.00	(4100-55)
Entertainment		\$35		(345-35)
Clothing		\$70	+ 240,00	(310-70)
Miscellaneous		\$40	+ 200.00	

In <u>December Andrea</u> 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 316.45	Income (+)	Expense (-)	Balance	
Income from work and allowance of \$40	350.45	l	356.45	
Phone plan		55.00	295.45	(350.45-35)
Entertainment		53.89	241.56	
Clothing		60.00		
Miscellaneous		75.00	106.56	(25-98.181)

b) Does Andrea have any fixed income or fixed expenses? (compare Oct to Dec)

.\$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 dothing.

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Budgeting for an Event 3 PP .

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



= \$9 a.83 per person
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per persor

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
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