**Understand**

**1 Unscramble the following words and then explain their**

**meaning.**

**(a) gtbdgueni**

**(b) cemion**

**(c) wgnbiroro**

**(d) eepdtrxunie**

**(e) gvsnais**

(a) *Budgeting* means that you make a plan about how to spend your income. A budget takes into consideration your fi xed and variable expenses and saving plans.

(b) *Income* means the money you get on a regular basis as payment for work.

(c) *Borrowing* means that you take out a loan to purchase an item or service with the intention of repaying the loan in a specified amount of time.

(d) *Expenditure* refers to the money you use for fixed and variable expenses.

(e) *Savings* means money you set aside for a specific purpose such as unforseen expenses or an item you wish to buy.

**2 Why is it necessary to prepare a budget?**

It is necessary to prepare a budget so you can make well-informed decisions about what to do with your income. If you do not have a budget you may not consider all your expenses (both fixed and variable) and as a consequence you may need to borrow money to cover the electricity bill when it arrives

**4 Copy the budget on page 51 into your notebook and fill in the missing spaces.**

**Budget for 9–15 September**

**Income $ Expenses $**

Wages 50 *Fixed*

Babysitting 20 Train fares 20

**Total income** **70 Lunches 15**

*Variable*

Entertainment 10

Presents 15

**Total expenses 60**

Savings (income spending) $10

**5 (a) Use the following information to draw up a budget either in your notebook or using a spreadsheet program. Ethan earns $100 a week working at Coles part time. He also receives $30 weekly mowing the neighbour’s lawn. He has to pay his mother $20 board and gives her another $10 a week to help her pay bills. He spends $5 a day on food and another $4 a day on travel. He is saving up to buy a motorbike. Draw up his weekly budget.**

**(b) Do you consider Ethan good at budgeting? Can his budget be improved? Explain your answer.**

**Income $ Expenses $**

Wages 100 Fixed

Mowing 30 Board 20

Bills 10

Food 35

Travel 28

**Total Income $130 Total Expenses $93**

(b) Ethan seems to be very focused on saving for his motorbike. However, his current budget may be difficult to maintain for a long period of time as it does not include any form of entertainment. Ethan may be able to decrease his travel expenses each week.

**6 In two or three paragraphs, outline some of the consequences of poor budgeting. Discuss your answers as a class.**

Topic sentence: What is poor budgeting?

Poor budgeting can result in a heavy expense rate, even greater than the income rate, therefore causing you to be in debt very quickly.