

3-1

# Computing Your Average Monthly Expenditures

**Recordkeeping** is an essential task if you want to manage your money properly. By keeping track of your monthly **expenditures** (items you spend money on), you can determine whether the amount of money you are earning is enough to live on. You should enter your expenses on a **budget sheet**. This will help you keep track of your expenditures so you can total them up at the end of the month.

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

**Example**

**Find the average monthly expenditure.**

Jim Miller had the following monthly expenses:

September: \$1,540      October: \$1,899      November: \$1,756      December: \$2,244

What is his average monthly expenditure for the 4-month period?

1. Sum of Monthly Expenditures = \$1,540 + \$1,899 + \$1,756 + \$2,244 = \$7,439
2.  $\$7,439 \div 4 = \mathbf{\$1,859.75}$  average monthly expenditure

**Practice**

**Find the average monthly expenditure.**

1. January: \$898; February: \$972; March: \$1,049.
2. April: \$2,165; May: \$2,531; June: \$1,896; July: \$2,354.
3. August: \$1,742.88; September: \$1,596.77; October: \$1,694.63; November: \$1,963.04; December: \$2,317.48.

Jennifer Donaldson has the following monthly expenditures:

Expense	Monthly Expenditure	Expense	Monthly Expenditure
Rent Apartment	\$625	Groceries	\$265
Utilities	318	Entertainment	150
Transportation	455	Misc. Expenses	177

4. What is her total monthly expenditure?
5. What *annual* salary does she need to earn to meet her living expenses?
6. **Standardized Test Practice** Last quarter, Jamal Williams had the following monthly expenditures: January: \$1,875; February: \$1,643; March: \$2,173. His expenses for April were 1.5 times his expenses for February. His expenses for May equal his average monthly expenditures for January through March. What is Williams' average monthly expenditure for April through May?  
 A. \$1,897.00    B. \$2,464.50    C. \$2,180.75    D. \$2,010.50

## 3-2

# Preparing a Budget Sheet

If you've been keeping careful track of your expenditures, you should be able to prepare a budget sheet. Your budget sheet should include: your **living expenses**, which vary from month to month (such as food and utilities); your **fixed expenses**, which remain the same every month (such as rent and car payments); and your **annual expenses**, which you only pay once a year (such as insurance premiums and property taxes).

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

**Example**

**Find the total monthly expenses.**

The O'Neils' budget sheet shows the following expenditures:

Expense	Monthly Expenditure	Expense	Monthly Expenditure
Groceries	\$290	Car Payment	\$ 550
Entertainment	85	Insurance (per year)	387
Utilities	215	Property Tax (per year)	3,000
Rent	900		

What is the total of their monthly expenses?

1. Monthly Living Expenses =  $\$290 + \$85 + \$215 = \$590$
2. Monthly Fixed Expenses =  $\$900 + \$550 = \$1,450$
3. Monthly Share of Annual Expenses =  $(\$387 + \$3,000) \div 12 = \$3,387.00 \div 12 = \$282.25$
4. Total Monthly Expenses =  $\$590.00 + \$1,450.00 + \$282.25 = \mathbf{\$2,322.25}$

**Practice**

**Find the total monthly expenses.**

1. Living: \$675; fixed: \$940; share of annual: \$335.
2. Living: \$795.64; fixed: \$1,240.00; share of annual: \$327.85
3. Monthly living: \$820; fixed: \$975; total annual: \$3,000
4. Monthly living: \$946.55; fixed: \$789.25; total annual: \$3,267.00
5. **Standardized Test Practice** Lucille Richards earns \$1,250.00 semimonthly and has the following expenses—monthly living expenses: \$837.50; fixed monthly expenses: \$925.00; annual expenses: \$4,200.00. How much can she afford to spend each month on entertainment?  
 A. \$0.00    B. \$387.50    C. \$595.83    D. \$1,187.50

3-3

# Using a Budget

Now that you know how to prepare a budget sheet, you can use it to plan your future spending. First, prepare an **expense summary** comparing the amount you actually spend to the amount you have in your budget. Next, factor in money for an **emergency fund** to allow for any unpredictable expenses that might arise.

**Example**

**Compare amount budgeted to actual expenditures.**

Gigi Mariano prepared a budget, allowing herself \$240.00 for groceries. Last month she actually spent \$251.89. How much more or less did she spend on groceries than she budgeted?

1. Is the amount she spent more or less than the amount she budgeted?  
 $\$251.89 > \$240.00$  so she spent *more* than she budgeted.
2. How much more did she spend?  
 $\$251.89 - \$240.00 = \mathbf{\$11.89 \text{ more}}$

**Practice**

**Find how much more or less is spent than the budgeted amount.**

1. Budgeted: \$596; spent: \$542.
2. Budgeted: \$645; spent: \$667.
3. Budgeted: \$1,250.75; spent: \$1,272.98
4. Budgeted: \$972.50; spent: \$970.85.

The Donaldsons prepared the following expense summary for the month of August:

Expense	Monthly Expenditure	Amount Spent
Utilities	\$185.00	\$177.50
Transportation	300.00	312.00
Groceries	350.00	352.99
Entertainment	100.00	95.50
Misc. Expenses	75.00	67.95

5. Which expenses were more than the Donaldsons budgeted for?
6. Which expenses were less than they budgeted for?
7. Were their total monthly expenses more or less than they budgeted for and by how much?
8. **Standardized Test Practice** Kelly Krantz saved \$250.00 to buy clothes and supplies for the new school year. She went to the mall and bought the following items: 3 pair of jeans that cost \$35.00 each; 5 shirts that cost \$15.50 each; new shoes for \$48.00; 6 notebooks at a cost of \$1.50 each; and a pack of pens for \$2.75. How much more or less than she budgeted did she actually spend?  
**A.** \$7.75 less    **B.** \$7.75 more    **C.** \$147.25 more    **D.** \$147.25 less

## 3 Chapter Review

### *Budgeting Your Way to an “A.”*

Your psychology class has been given an assignment. You are teamed up with another student and each of you randomly draws an occupation with a corresponding salary. You have picked “Teacher,” with a salary of \$41,000. Your partner has chosen “Accountant,” with a salary of \$48,000. You are required to establish a combined budget summary. You will be graded on how realistic your summary is and whether or not you can adapt to unforeseen changes. A first stab at the project produces the following budget summary:

Expense	Monthly Expenditure	Expense	Monthly Expenditure
Mortgage	\$985/month	Property Taxes	\$3,200/year
Utilities	265/month	Entertainment	250/month
Car Payments	725/month	Insurance Premiums	4,000/year
Groceries	320/month	Misc. Expenses	500/month

1. Which of the items are fixed monthly expenses?
2. Which of the items are variable living expenses?
3. Which of the items are annual expenses?
4. Which of the items is mostly likely to be used as an emergency fund?
5. What is your monthly budget for the year?
6. Your partner wants to spend more on entertainment. Assuming you would like to invest \$2,500 each month, how much more can you afford to spend each month on entertainment?
7. Assume your partner has lost his or her job. You cut your entertainment expenses back to the original amount and stop investing the \$2,500. By what total monthly amount will you have to adjust your budget to live on your salary alone?