

2.4 Budgeting

- ▶ Create and balance a monthly budget.
- ▶ Write checks and balance a checkbook.
- ▶ Analyze a budget.

Creating and Balancing a Monthly Budget

A personal monthly **budget** is a plan that includes your income and your expenses. Here are some tips for creating a meaningful budget.

- If you have bills that are due quarterly, semiannually, or annually, include a monthly average in your monthly budget.
- Include a savings goal in your budget. Saving for a goal is not only smart financially, it is smart emotionally.
- Leave some leeway in your budget for unexpected expenses.
- Keep your budget in a paper or an electronic journal. Save your receipts. Do not fall behind on entering expenses in your budget.



EXAMPLE 1 Comparing Budgeted and Actual Expenses

Find the difference between the actual amounts and the budgeted amounts.

CATEGORY	MONTHLY ACTUAL AMOUNT	−	MONTHLY BUDGETED AMOUNT	=	DIFFERENCE
Food					
Groceries	\$287.60		\$300.00		
Eating out, lunches, snacks	\$234.86		\$200.00		
Health and Medical					
Insurance (medical, dental, vision)	\$165.00		\$165.00		

SOLUTION

For each row, subtract the budgeted amount from the actual amount.

$$\text{Groceries: } 287.60 - 300.00 = -\$12.40$$

$$\text{Eating Out: } 234.86 - 200.00 = \$34.86$$

$$\text{Insurance: } 165.00 - 165.00 = \$0.00$$

✓ Checkpoint

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Find the difference between the actual amounts and the budgeted amounts.

CATEGORY	MONTHLY ACTUAL AMOUNT	−	MONTHLY BUDGETED AMOUNT	=	DIFFERENCE
Utilities					
Electricity	\$121.46		\$125.00		
Water and sewer	\$62.30		\$58.00		

Study Tip

When the actual amount is less than the budgeted amount, the difference is a negative number. In accounting, negative numbers are often indicated by parentheses and shown in red. For instance, $-\$12.40$ is written as **(\$12.40)**.