Why Should A Household Prepare A Budget?

Q1 Outline **two** reasons why a household would prepare a household budget (two-pronged answers; the first was done in the book).

Action (1st prong)	Outcome (2nd prong)
1. To reduce impulse buying as a budget will give them a plan/target in advance…	…so they are less likely to make unplanned purchases.
2. To plan their future expenditure and live within their means…	…so they avoid spending more than they earn and reduce the risk of falling into debt.
3. To identify when borrowing may be required, by highlighting months where expenditure will be higher than income…	…so they can arrange finance in advance rather than being caught short. (Also acceptable: identify where to cut back; help save for the future.)

Calculating Planned Income and Expenditure

Q2 (a) The Foley family (Limerick), planned income January to April.

Foley Household	Jan	Feb	Mar	Apr	Total
Maeve Foley, salary	2,700	2,700	2,700	2,700	10,800
Cillian Foley, salary	3,200	3,200	3,700	3,200	13,300
Child Benefit	280	280	280	280	1,120
Total Income (A)	6,180	6,180	6,680	6,180	25,220

Q2 (b) Highest month: March, with total income of €6,680, because Cillian earns an extra €500 for working additional hours that month.

Q2 (c) Type of income: Overtime (Irregular income).

Q3 (a) The Lynch family (Cork City), fixed expenditure March to May.

Lynch Household	Mar	Apr	May	Total
Mortgage	1,450	1,450	1,450	4,350
House Insurance	-	540	-	540
Broadband	55	55	55	165
Subtotal	1,505	2,045	1,505	5,055

Q3 (b) House insurance is still a fixed cost because it is a set payment made at a set time (€540 every April). The amount does not vary with usage.

Q4 (a) The Brennan family (Sligo), irregular expenditure March to May.

Brennan Household	Mar	Apr	May	Total
Groceries	950	950	1,300	3,200
Car running costs	320	320	320	960
Light and heat	220	180	140	540
Subtotal	1,490	1,450	1,760	4,700

Q4 (b) The evenings are getting brighter and warmer from March to May, so the family uses less lighting and heating each month.

Q5 (a) The Connolly family (Wexford), discretionary expenditure June to August.

Connolly Household	Jun	Jul	Aug	Total
Netflix	18	18	18	54
Entertainment	200	200	200	600
Holiday	0	1,800	0	1,800
Birthday present	50	0	0	50
Subtotal	268	2,018	218	2,504

Q5 (b) July has the highest discretionary expenditure at €2,018, because the family holiday costing €1,800 is planned for that month.

Q6 (a) The Curran household, total expenditure May to July.

Curran Household	May	Jun	Jul	Total
Fixed Expenditure	1,580	1,580	1,580	4,740
Irregular Expenditure	1,640	1,820	1,560	5,020
Discretionary Expenditure	240	1,950	240	2,430
Total Expenditure (B)	3,460	5,350	3,380	12,190

Q6 (b) **Month:** June, with total expenditure of €5,350.

Reason: Discretionary expenditure spikes to €1,950 in June, suggesting a large one-off optional spend such as a holiday.

Net Cash, Opening Cash and Closing Cash

Q7 Complete the extract from the Yakubu household budget.

Yakubu Family	Jan	Feb	Mar	Total
Income (A)	4,200	4,200	4,500	12,900
Expenditure (B)	3,700	4,100	3,800	11,600
Net Cash (A-B)	500	100	700	1,300
Opening Cash	300	800	900	300
Closing Cash	800	900	1,600	1,600

Q8 Complete the extract from the Cassidy household budget.

Cassidy Family	Jul	Aug	Sep	Total
Income (A)	3,000	3,000	3,300	9,300
Expenditure (B)	2,700	2,800	4,100	9,600
Net Cash (A-B)	300	200	(800)	(300)
Opening Cash	200	500	700	200
Closing Cash	500	700	(100)	(100)

Q9 Complete the extract from the Dufficy household budget.

Dufficy Family	Jul	Aug	Sep	Total
Income (A)	3,800	3,800	3,800	11,400
Expenditure (B)	3,200	3,100	3,500	9,800
Net Cash (A-B)	600	700	300	1,600
Opening Cash	400	1,000	1,700	400
Closing Cash	1,000	1,700	2,000	2,000

Q10 Complete the extract from the McCarthy household budget.

McCarthy Family	Jul	Aug	Sep	Total
Income (A)	2,900	2,900	3,200	9,000
Expenditure (B)	2,600	3,400	2,800	8,800
Net Cash (A-B)	300	(500)	400	200
Opening Cash	250	550	50	250
Closing Cash	550	50	450	450

Q11 Complete the extract from the Singh household budget. Opening cash in July was €500.

Singh Family	Jul	Aug	Sep	Total
Income (A)	3,400	3,400	3,700	10,500
Expenditure (B)	3,100	4,500	3,300	10,900
Net Cash (A-B)	300	(1,100)	400	(400)
Opening Cash	500	800	(300)	500
Closing Cash	800	(300)	100	100

Q12 Complete the extract from the Doyle household budget.

Doyle Household	April	May	June	Total
Net Cash (A-B)	180	(220)	(100)	(140)
Opening Cash	340	520	300	340
Closing Cash	520	300	200	200

Q13 (a) Tom Dunphy's budget, October to December. Opening cash €400.

Tom's Budget	Oct	Nov	Dec	Total
Planned Income				
Wages	510	530	480	1,520
SUSI grant	380	380	380	1,140
Family allowance	250	250	350	850
Total Income (A)	1,140	1,160	1,210	3,510
Planned Expenditure				
Rent (fixed, subtotal)	800	800	800	2,400
Groceries and food	300	300	300	900
Electricity	45	50	80	175
Mobile phone	25	30	25	80
Irregular Subtotal	370	380	405	1,155
Entertainment (disc. subtotal)	80	180	80	340
Total Expenditure (B)	1,250	1,360	1,285	3,895
Net Cash (A-B)	(110)	(200)	(75)	(385)
Opening Cash	400	290	90	400
Closing Cash	290	90	15	15

Q13 (b) Tom was considering buying a new laptop for €600 in November. Based on his budget, do you think this is a good decision?

No. Tom plans a negative net cash figure every month, and his closing cash falls to just €90 in November. Spending €600 on a laptop would turn his closing cash negative, at (€510), so he would be living beyond his means.

Q14 (a) Jessica Donoghue's budget, October to December. Opening cash €300.

Jessica's Budget	Oct	Nov	Dec	Total
Planned Income				
Wages	350	550	400	1,300
SUSI grant	300	300	300	900
Monthly allowance	400	400	400	1,200
Total Income (A)	1,050	1,250	1,100	3,400
Planned Expenditure				
Rent (fixed, subtotal)	650	650	650	1,950
Groceries and food	250	250	250	750
Electricity	25	60	75	160
Mobile phone	30	30	30	90
Irregular Subtotal	305	340	355	1,000
Entertainment (disc. subtotal)	90	90	190	370
Total Expenditure (B)	1,045	1,080	1,195	3,320
Net Cash (A-B)	5	170	(95)	80
Opening Cash	300	305	475	300
Closing Cash	305	475	380	380

Q14 (b) Do you think Jessica is in a good financial position or not? Give one reason.

Yes. Her closing cash is positive every month (€305, €475, €380) and her total net cash for the period is a surplus of €80, so she is living within her means.

Calculating a Full Household Budget

Q15 (a) The Healy family (Naas), January to April. Opening cash €500.

Healy Household	Jan	Feb	Mar	Apr	Total
Planned Income					
Aoife Healy, salary	2,400	2,400	2,700	2,400	9,900
Conor Healy, salary	2,200	2,200	2,200	2,200	8,800
Child Benefit	280	280	280	280	1,120
Total Income (A)	4,880	4,880	5,180	4,880	19,820
Planned Expenditure					
Fixed Expenditure					
Mortgage	1,500	1,500	1,500	1,500	6,000
House Insurance	0	0	540	0	540
Bin Charge	25	25	25	25	100
Subtotal	1,525	1,525	2,065	1,525	6,640
Irregular Expenditure					
Groceries	950	1,000	980	1,050	3,980
Light And Heat	220	200	160	140	720
Car running costs	200	240	220	200	860
Mobile Phone	70	70	70	70	280
Childcare	800	800	800	800	3,200
Subtotal	2,240	2,310	2,230	2,260	9,040
Discretionary Expenditure					
Presents	60	0	0	40	100
Entertainment	220	220	220	220	880
Gym	60	60	60	60	240
Subtotal	340	280	280	320	1,220
Total Expenditure (B)	4,105	4,115	4,575	4,105	16,900
Net Cash	775	765	605	775	2,920
Opening Cash	500	1,275	2,040	2,645	500
Closing Cash	1,275	2,040	2,645	3,420	3,420

Q15 (b) Identify the trend in the closing cash figures over the four months. Is this a good or bad trend? Explain your answer.

Trend: closing cash rises every month, from €1,275 in January to €3,420 in April. This is a good trend: the family is living within its means and building up savings each month, giving a strong financial position.

Q16 (a) The Sullivan family (Tullamore), June to September. Opening cash €200. House insurance €660 per year payable monthly (€55 per month).

Sullivan Household	June	July	August	Sept	Total
Planned Income					
Sinead, salary	2,200	2,200	2,200	2,200	8,800
Eamonn, salary	1,300	1,300	1,300	2,500	6,400
Child Benefit	280	280	280	280	1,120
Total Income (A)	3,780	3,780	3,780	4,980	16,320
Planned Expenditure					
Fixed Expenditure					
Rent	1,400	1,400	1,400	1,400	5,600
House Insurance	55	55	55	55	220
TV Licence	0	0	160	0	160
Subtotal	1,455	1,455	1,615	1,455	5,980
Irregular Expenditure					
Groceries	1,000	1,000	1,000	1,000	4,000
Car Running Costs	320	320	800	320	1,760
Light And Heat	180	160	140	200	680
Mobile Phone	45	45	45	45	180
Subtotal	1,545	1,525	1,985	1,565	6,620
Discretionary Expenditure					
Entertainment	218	378	218	218	1,032
Holiday	0	0	2,400	0	2,400
Subtotal	218	378	2,618	218	3,432
Total Expenditure (B)	3,218	3,358	6,218	3,238	16,032
Net Cash	562	422	(2,438)	1,742	288
Opening Cash	200	762	1,184	(1,254)	200
Closing Cash	762	1,184	(1,254)	488	488

Q16 (b) Identify the month with the smallest closing cash figure. Suggest one reason for this.

Month: August, with a negative closing cash of (€1,254).
Reason: the €2,400 holiday and the €800 car service both fall in August, pushing total expenditure (€6,218) far above income (€3,780).

Q17 (a) The Fitzpatrick family (Dundalk), September to December. Opening cash €200.

Fitzpatrick Household	Sept	Oct	Nov	Dec	Total
Planned Income					
Aisling, salary	2,000	2,000	2,000	2,000	8,000
Colm, salary	2,400	2,400	2,400	4,400	11,600
Child Benefit	280	280	280	280	1,120
Total Income (A)	4,680	4,680	4,680	6,680	20,720
Planned Expenditure					
Fixed Expenditure					
Rent	1,400	1,400	1,400	1,400	5,600
Life Assurance	30	30	30	30	120
Motor insurance	1,200	0	0	0	1,200
Subtotal	2,630	1,430	1,430	1,430	6,920
Irregular Expenditure					
Groceries	950	1,000	980	1,050	3,980
Car Running Costs	200	240	220	200	860
Light And Heat	220	240	260	300	1,020
Mobile Phone	70	70	70	70	280
Childcare costs	800	800	800	800	3,200
Subtotal	2,240	2,350	2,330	2,420	9,340
Discretionary Expenditure					
Entertainment	220	220	220	220	880
Gym classes	60	60	60	60	240
Presents	60	0	0	40	100
Subtotal	340	280	280	320	1,220
Total Expenditure (B)	5,210	4,060	4,040	4,170	17,480
Net Cash	(530)	620	640	2,510	3,240
Opening Cash	200	(330)	290	930	200
Closing Cash	(330)	290	930	3,440	3,440

Q17 (b) Identify the month with the smallest closing cash figure. Suggest one reason for this.

Month: September, with a negative closing cash of (€330).
Reason: the motor insurance of €1,200 is payable in September, pushing that month's expenditure (€5,210) above income (€4,680).

A Budget Surplus Or A Budget Deficit

Q18 (a) Outline **two** actions a household could take when their budget shows a surplus. Give a reason in each case.

Action: Save or invest the surplus… Reason: …so the household earns interest on its savings and builds an emergency fund for unplanned expenses.
Action: Repay a loan early… Reason: …so the amount still owed is reduced, lowering future monthly repayments. (Also acceptable: plan a large future spend, eg home improvements or a car.)

Q18 (b) Outline **two** actions a household could take when their budget shows a deficit. Give a reason in each case.

Action: Reduce discretionary expenditure, eg cancel a planned holiday… Reason: …so total planned expenditure falls and the budget is brought back in line with income.
Action: Increase income, eg work extra hours or take on a part-time job… Reason: …so planned income rises each month and the size of the deficit is reduced. (Also acceptable: shop around for better value on bills; spread a large payment over time with a loan repaid with interest.)

Q19 (a) Peter Lawlor: planned income €3,200, planned expenditure €2,800 for July.

Workings	Answer
€3,200 - €2,800 = €400	€400

Q19 (b) Surplus. Planned income of €3,200 is greater than planned expenditure of €2,800, giving a budget surplus of €400.

Q20 (a) Aine Kelly's graph: planned income €3,400, planned expenditure €3,100 for August.

Workings	Answer
€3,400 - €3,100 = €300	€300

Q20 (b) Surplus (circle Surplus).

Q20 (c) Action: Save or invest the €300 surplus…

How it would help: …it would earn interest and build an emergency fund, so Aine is better prepared for unplanned expenses. (Also acceptable: repay a loan early; plan a large future spend.)

Q21 (a) Darragh Mooney's graph: planned income €2,400, planned expenditure €3,000 for October.

Workings	Answer
€2,400 - €3,000 = (€600)	(€600)

Q21 (b) Deficit (circle Deficit).

Q21 (c) **Action:** Reduce discretionary expenditure, eg cut back on entertainment…

How it would help: …planned expenditure would fall towards planned income of €2,400, reducing the €600 deficit. (Also acceptable: increase income with extra hours or a part-time job.)

Q22 (a) The McGrath family: Sean starts a part-time job from May, earning an extra €500 per month. Revised budget:

McGrath Family	May	June	July	Total
Income (A)	3,400	3,400	3,400	10,200
Expenditure (B)	2,700	3,700	2,700	9,100
Net Cash (A-B)	700	(300)	700	1,100
Opening Cash	200	900	600	200
Closing Cash	900	600	1,300	1,300

Q22 (b) Impact: closing cash in July improves from (€200) in the original budget to €1,300 in the revised budget, a rise of €1,500. The family is no longer living beyond its means. Recommendation: Sean should take the job, and the family could save the monthly surplus to build an emergency fund.

Q22 (c) Bar chart: two bars for the Total column of the revised budget - Planned Income (A) €10,200 and Planned Expenditure (B) €9,100, with the income bar taller. Label both bars with the € figures.

Q23 (a) The Rodriguez family: car loan repaid with interest at €600 per month starting in May. Revised budget:

Rodriguez Family	May	June	July	Total
Income (A)	3,200	3,200	3,200	9,600
Expenditure (B)	3,400	3,400	3,400	10,200
Net Cash (A-B)	(200)	(200)	(200)	(600)
Opening Cash	300	100	(100)	300
Closing Cash	100	(100)	(300)	(300)

Q23 (b) Impact: closing cash in June falls from €1,100 in the original budget to (€100) in the revised budget, a drop of €1,200.

Recommendation: No, the family should not take out the car loan as planned. Net cash would be (€200) every month and closing cash turns negative in June, meaning they would be living beyond their means. They should reduce other spending or save first.

Q24 (b) The Nolan family (Galway), January to April. Opening cash €600.

Nolan Household	Jan	Feb	Mar	Apr	Total
Planned Income					
Niamh, salary	2,600	2,600	2,600	2,600	10,400
Eoin, salary	2,400	2,400	2,400	2,400	9,600
Child Benefit	280	280	280	280	1,120
Total Income (A)	5,280	5,280	5,280	5,280	21,120
Planned Expenditure					
Fixed Expenditure					
Rent	1,500	1,500	1,500	1,500	6,000
Life Assurance	40	40	40	40	160
Subtotal	1,540	1,540	1,540	1,540	6,160
Irregular Expenditure					
Groceries	900	900	900	900	3,600
Light and Heat	200	180	160	140	680
Car Running Costs	250	250	250	250	1,000
Subtotal	1,350	1,330	1,310	1,290	5,280
Discretionary Expenditure					
Entertainment	200	200	200	200	800
Gym	60	60	60	60	240
Subtotal	260	260	260	260	1,040
Total Expenditure (B)	3,150	3,130	3,110	3,090	12,480
Net Cash	2,130	2,150	2,170	2,190	8,640
Opening Cash	600	2,730	4,880	7,050	600
Closing Cash	2,730	4,880	7,050	9,240	9,240

Q24 (a) Two reasons the Nolans should prepare a budget:

Reason 1: To plan their future expenditure… **Benefit:** …so they ensure they live within their means and avoid falling into debt.
Reason 2: To help save for the future… **Benefit:** …so they can set aside enough income each month for large future costs such as a car or holiday.

Q24 (c) **Could they save €500 per month?** Yes. Net cash is over €2,100 every month and closing cash grows from €2,730 in January to €9,240 in April, so saving €500 per month is easily affordable.

Q25 (b) The Barry family (Waterford), May to August. Opening cash €500.

Barry Household	May	Jun	Jul	Aug	Total
Planned Income					
Saoirse, salary	2,100	2,100	2,100	2,100	8,400
Cian, salary	1,700	1,700	1,700	1,700	6,800
Child Benefit	280	280	280	280	1,120
Total Income (A)	4,080	4,080	4,080	4,080	16,320
Planned Expenditure					
Fixed Expenditure					
Rent	1,400	1,400	1,400	1,400	5,600
Life Assurance	30	30	30	30	120
Subtotal	1,430	1,430	1,430	1,430	5,720
Irregular Expenditure					
Groceries	1,100	1,100	1,100	1,100	4,400
Childcare	800	800	800	800	3,200
Light and Heat	200	180	160	150	690
Subtotal	2,100	2,080	2,060	2,050	8,290
Discretionary Expenditure					
Entertainment	200	200	200	200	800
Takeaways	60	60	60	60	240
Subtotal	260	260	260	260	1,040
Total Expenditure (B)	3,790	3,770	3,750	3,740	15,050
Net Cash	290	310	330	340	1,270
Opening Cash	500	790	1,100	1,430	500
Closing Cash	790	1,100	1,430	1,770	1,770

Q25 (a) Two actions for a deficit month:

Action: Reduce discretionary expenditure… **Result:** …total planned expenditure falls, helping bring the budget back into balance.
Action: Increase income, eg work extra hours… **Result:** …planned income rises, reducing the size of the deficit.

Q25 (c) Loan repaid with interest at €500 per month from May: Workings: May net cash €290 - €500 = (€210).

Answer: net cash in May would fall from a surplus of €290 to a deficit of (€210).

Recommendation: NO. Net cash is below €500 in every month (€290, €310, €330, €340), so the loan would turn net cash negative each month and the family would be living beyond its means.

Keyword Recap - Fill in the Blanks

Sentence	Answer
A household _______ is a plan showing expected future income and expected future expenditure over a period of time.	BUDGET
_______ expenditure is a set payment made at a set time each month, such as a mortgage repayment.	FIXED
_______ expenditure varies in amount and timing each month depending on usage, such as groceries.	IRREGULAR
_______ expenditure covers optional, non-essential items, such as holidays or entertainment.	DISCRETIONARY
_______ cash is total income minus total expenditure for a month.	NET
_______ cash is the amount a household plans to have available at the start of each month.	OPENING
_______ cash is net cash plus opening cash, showing the amount left at the end of each month.	CLOSING
A budget _______ occurs when total planned income is greater than total planned expenditure.	SURPLUS
A budget _______ occurs when total planned expenditure is greater than total planned income.	DEFICIT
A household with a negative closing cash figure is living beyond its _______.	MEANS