



Mini-task: Budgeting (1)

Working out household expenditure

Sometimes people find that it is useful to work out their **expenditure** (what they spend). This allows them to compare this to their **income** (money they have coming in) and so make decisions about how to prioritise their spending.

- 1 Think about your own expenditure. Use the lists below to help you think about the things that you spend money on in your household. There may be other things as well that you want to add to the lists.

Household expenses:

Mortgage/rent
Electricity
Gas
Oil/coal/other fuel
Water
Council tax
House insurance – contents
House insurance – buildings
TV licence
Satellite/cable TV
Broadband/Internet
Food
Other

Personal expenditure:

Clothes
Toiletries
Health – dentist, prescriptions, etc.
Leisure activities
Entertainment
Other

Car expenditure:

Car insurance
Road tax
MOT
Service and repairs
Petrol/diesel/other fuel

2 Keeping track of household expenses

Use the bills below to fill in the table over the page showing the household expenditure on gas and electricity over the year.

Electricity bill Oct 07–Dec 07	
Units used: 641	£62.77
VAT @ 5%	£ 3.14
Total	£65.91

Electricity bill Apr 07–Jun 07	
Units used: 348	£34.07
VAT @ 5%	£ 1.70
Total	£35.77

Gas bill Oct 07–Dec 07	
Units used: 155	£109.35
VAT @ 5%	£ 5.47
Total	£114.82

Household expenses 2007:

	Jan–Mar 07	Apr–Jun 07	Jul–Sep 07	Oct–Dec 07	TOTAL
Gas	£97.93	£49.82	£39.67		
Electricity	£62.78		£57.86		

In the final column of the table, add up the totals for each of gas and electricity over the year. You don't need to work out the expenditure exactly. Round each amount up to the next whole pound before you add up the yearly costs.

For example, the gas costs rounded up to the nearest pound give:

	Jan–Mar 07	Apr–Jun 07	Jul–Sep 07	Oct–Dec 07	TOTAL
Gas	£97.93 £98	£49.82 £50	£39.67 £40	?	98+50+40+?
Electricity	£62.78		£57.86		

3 Payment periods

Gas and electricity bills usually come **quarterly** – four times in a year – so each bill shows the fuel used in a three-month period.

Some other costs are paid **monthly** (when an amount is paid every month). This may be the same amount every month for some items – or may be a different amount each time, depending on the particular expense.

Other costs or bills are paid **annually** (just one payment to cover the whole year).

Look back at the household expenses you identified in the first box in question 1 above, and for each item note how often you pay it. Which are annual, which are quarterly and which are monthly payments?

4 Payment by other instalments:

Council tax and water charges are often paid by instalments, but sometimes there is not a payment **every** month. Look at the example of the water bill below:

ABC Water		
Water services		£ 244
Sewerage charges		£ 251
Total:		£495
Payments (due on the 1st of the month):		
Payment	Month	Amount
1	Apr 07	£49.50
2	May 07	£49.50
<i>and then each month thereafter until</i>		
10	Jan 08	£49.50

Here there are ten instalments – the person makes a payment for ten months of each year, but no payment is due in February or March. (This is often referred to as ‘ten monthly payments’.) How much will the payments be for this person for their water in each of the quarters:

- April to June (this covers 3 months)
- July to September (3 months)
- October to December (3 months) ?

Fill in these amounts in the table below.

The amount for the January to March quarter (from last year’s water bill) has been filled in.

	Jan–Mar 07	Apr–Jun 07	Jul–Sep 07	Oct–Dec 07	TOTAL
Water	£48				
Council tax	£131				
TOTAL					

Note: In January to March there was only one payment due (as no payments are made in February and March), so this amount is less than in the other quarters.

Use the council tax bill below to fill in the council tax payments for the quarters from April to December in the spaces above.

Council tax bill for 2007/08				XYZ Council
Charge for period	Band D	01 Apr 07–31 Mar 08	£1 310	
Payment instructions:				
First instalment due 01/04/07			1 × £131.00	
Other instalments due from 01/05/07 to 01/01/08			9 × £131.00	

The total expenditure for each quarter of the year for this household is:

Note: the amounts have been **rounded up** to the nearest pound.

	Jan–Mar	Apr–Jun	Jul–Sep	Oct–Dec	TOTAL
Gas	£98	£50	£40	£115	£303
Electricity	£63	£36	£58	£66	£223
Water	£48	£149	£149	£149	£495
Council tax	£131	£393	£393	£393	£1 310
TOTAL	£340	£628	£640	£723	

How much is the **average monthly** expenditure for each quarter of the year?

Example: For the Jan–Mar 2007 quarter:

£340 over three months, so the average cost per month is about $340 \div 3 = £113.33$
(£110 approx.)

In which quarter(s) is the expenditure the greatest? Why do you think this is?

Is the same true for your own expenditure on these items?

Mini-task: Budgeting**Answers**

The household costs for 2007 are:

	Jan–Mar 07	Apr–Jun 07	Jul–Sep 07	Oct–Dec 07	TOTAL
Gas	£98	£50	£40	£115	£303
Electricity	£63	£36	£58	£66	£223
Water	£48	£149	£149	£149	£495
Council tax	£131	£393	£393	£393	£1 310
TOTAL	£340	£628	£640	£723	

The average monthly expenditure for each of the quarters is:

Jan–Mar	£340 ÷ 3	=	£113.33	approx. £110
Apr–Jun	£628 ÷ 3	=	£209.33	approx. £210
Jul–Sep	£640 ÷ 3	=	£213.33	approx. £210
Oct–Dec	£723 ÷ 3	=	£241.00	approx. £240

The winter quarter (Oct–Dec) is the most expensive – probably because the household uses more heat and light, due to colder weather and darker nights.

The Jan–Mar quarter would also be expensive because of similar higher fuel costs, but as there are no water or council tax payments in February and March, this brings the average cost for the quarter down quite a bit.