

# Project 10

## Personal Budget

### Creating a Budget

A **budget** is a detailed estimate of income and expenses for a specific period of time. When you create a budget, it's important to consider your financial goals, especially in regard to your savings. **Savings** is the amount of money you put aside for future use. The first step in the budgeting process is determining the budget's time frame, which is typically determined by your income and bill paying schedule. The next step is to determine how much income is available during that time.

After income has been determined, it's time to organize your expenses and categorize them as fixed or variable. A **fixed expense** is money spent on something that remains the same amount each month, such as rent or a car payment. An important fixed expense to consider is the amount you put into your savings account each month. **Variable expenses** are often based on past and expected usage on things like food and gasoline. After income and expenses have been calculated, it's time to look at the "bottom line," or the difference between your income and expenses. If your total income is greater than your total expenses, you are living within your means. If expenses exceed your income, then it's time to evaluate your expenses. Finally, remember to give your budget a periodic review. Circumstances change, and your budget should be realigned to any adjusted income and expenses.

#### Project Task

Using Excel you will use formulas to calculate the total income and expenses of your monthly budget.

#### Scenario

You just landed your first full-time job and it's time to put together a monthly budget. You want to begin saving for retirement to take advantage of time, and you also want to be able to meet your financial needs without using credit cards. In this project, you will prepare a budget and analyze your monthly income and expenses.

#### Instructions

1. Open the Financial Literacy folder and create a new *Excel workbook*
2. Rename the spreadsheet Project 10 Monthly Budget.



3. As you complete this project, refer to **Figure 10** for the content to include in the spreadsheet.

4. Key the data into the spreadsheet as shown.

*Hint: Resize columns as needed to display the data.*

5. Merge cells A1–D1, then center align and bold the text. Change the fill color to light gray.

6. Merge cells A3–C3 and change the fill color to light gray.

7. Merge cells A8–C8 and change the fill color to light gray.

8. Format column A as bold.

9. Format columns C and D as currency.

10. In column C, use the financial information below to populate the spreadsheet into corresponding categories.

Income from full-time job	\$2,400	Hair	\$90	Entertainment	\$240
Rent	\$600	Extra income	\$160	Cell phone	\$115
Savings	\$250	Bus pass	\$180	Renters insurance	\$20
Student loans	\$189	Gym membership	\$50	Clothes	\$80
Utilities	\$210	Food	\$300		

11. In cell D6, use a formula to calculate the total income.

*Hint: In cell D6, key =SUM(C4:C5)*

12. In cell D15, use a formula to calculate the total fixed expenses.

*Hint: In cell D15, key =SUM(C9:C14)*

13. In cell D22, use a formula to calculate the total variable expenses.

*Hint: In cell D22, key =SUM(C16:C21)*

**14.** In cell D24, use a formula to calculate the total expenses.

*Hint: In cell D24, key = D15+D22*

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**15.** In cell D26, use a formula to calculate the surplus/deficit.

*Hint: In cell D26, key = D6-D23*

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**16.** Merge cells A28–D28 and apply the Wrap text feature.

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**17.** In cell A28, answer the following: If you have a surplus, explain how you will use the extra money. If you have a deficit, explain what changes you will make so that you are living within your means.

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**18.** Carefully proofread your work for accuracy.

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**19.** Remove all headers and footers.

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**20.** Share or print your spreadsheet if required by your instructor.

Figure 10

	A	B
1	Monthly Budget	
2		
3	Income	
4		Income from full-time job
5		Extra income (tutoring)
6		Total Income
7		
8	Expenses	
9	Fixed	Savings
10		Rent
11		Student loans
12		Cell phone
13		Gym membership
14		Renters insurance
15		Total Fixed Expenses
16	Variable	Utilities
17		Bus pass
18		Food
19		Entertainment
20		Hair
21		Clothes
22		Total Variable Expenses
23		
24		Total Expenses
25		
26		Surplus/deficit