divide by 12 in order to set aside enough each month to pay for them.

- 6) Balance the budget
 - Add up your income and expenditure columns - hopefully your total income is greater than your expenditure! If it is then this leftover income should be put aside into savings. You will then be left with a balanced budget, i.e. you know exactly how all your income will be used.
- 7) See where you can cut
 - You may want to go back and review your expenses to see what you can reduce or cut out. This will have to be done if your expenses are greater than your income in order to be able to balance the budget and not fall into debt.
- 8) Follow your spending plan
 - In order for a budget to work, it needs to be followed closely. Make sure to regularly record your actual income and expenditure and compare it with your budget forecast and adjust your budget and spending habits if necessary

Example

Kevin works as an engineer and his take-home pay per fortnight is \$3538.46. He also earns \$120 a week as a maths tutor in the evenings. His expenses are given in the table below.

- a) What is Kevin's monthly income?
- b) How much does Kevin have left over to put into his savings each month?
- c) If Kevin wants to use his savings to buy a car costing \$16 000, how long will it take him to save this amount (to the nearest month)?

Example 7 (contd.)

Item	Amount \$
	per month
Rent	1820
Phone	69
Internet	79
TV	97
Food	520
Clothing	230
Entertainment	460
Other expenses	195

Answer:

- a) Kevin's take home pay per week:
 - $=\frac{1}{2}$ = \$1769.23

$$1769.23 + $120 = $1889.23$$

⇒ Total income per year: = 52 x \$1889.23 = \$98 239.96

... His total income per month:

$$=\frac{\$98,239.96}{12}=\$8186.66$$

(rounded to nearest cent)

 b) Kevin's total expenses per fortnight:

= \$1820 + \$69 + \$79 + \$97 + \$520 + \$230 + \$460 + \$195

= \$3470

⇒ His total income per month:



Example 14 (contd.)

- b) the total fee she will pay her broker.
- c) the total amount she will actually pay

Answer:

b) Max. amount available to spend on shares = total amount – fee

$$= \frac{\$3000 - \$20}{1 + 0.02}$$
$$= \frac{\$2980}{1.02} = \$2921.57$$

So, maximum number of shares she can buy =

\$2921.57 \$2.50 *per share* = 1168.63

: Maximum number of sha can buy is 1469. (need to round down to near whole number)

c) Actual value of shares bought: $1168 \times 2.50 = 2920$

> Brokerage commission on share value:

> > 2920 * 0.02 = 58.40

- ... Total brokerage fee: \$20 + \$58.40 = \$78.40
- d) Total amount spent = value of shares bought + brokerage fee

= \$2920 + \$78.40 = \$2998.40

Example 15

Jack wants to buy 200 shares in a bank which is currently trading at \$74.25 per share. His broker charges a flat fee of \$29 per trade. He also has to pay stamp duty on the cost of the shares of \$0.60 per \$100 or part thereof.

- a) Calculate the total amount Jack will pay for the shares
- b) Three months after buying the shares, the company pays out a dividend of \$1.75 per share. How much does Jack receive and what is the percentage yield of the shares if their market value is then \$76? e.co.uk

Answer

NOT

Total amount due = cost of shares b)o@rage + stamp duty

Cost of shares:

$$= 200 x \$74.25 = \$14 850$$

Stamp duty:

$$=\frac{\$14\ 850}{100}x\ \$0.60$$
$$=148.5\ x\ \$0.60$$

However, as stamp duty of \$0.60 is due on every \$100 *plus* any part of \$100, we need to roundup to the nearest whole number, hence:

Stamp duty:

= 149 x \$0.60 = \$89.40

.:. Total amount due:

= \$14 850 + \$29 + \$89.40