

Different Ways to Budget | Worksheet



Matching

Match the definition in Column A with the budgeting term in Column B.

Column A

- _____ Divide cash into envelopes for spending categories.
- _____ Recreate budget from scratch after changes.
- _____ Planning that tracks money earned, spent, and saved.
- _____ Gradually adjust budget as income changes.
- _____ Budget with 50% needs, 30% wants, 20% savings.

Column B

- a. Budgeting
- b. 50-30-20 Method
- c. Incremental Budgeting
- d. Envelope Budgeting
- e. Zero-based Budgeting

Multiple Choice

1. **After receiving a 10% raise, Sarah realizes she has extra income to allocate to her budget. She currently spends \$1,200 on rent, \$600 on groceries, and \$200 on entertainment each month. She feels that she often runs short on grocery money before the end of the month. Using the incremental budgeting method, how should Sarah adjust her budget to make the most of her increased income?**
 - a. Increase her rent budget by 10%.
 - b. Increase her grocery budget by 10% and allocate the remaining increase to savings.
 - c. Keep her budget the same since incremental budgeting doesn't require any changes.
 - d. Spend all the extra income on entertainment.
2. **John has been using the envelope budgeting method and has envelopes for rent, groceries, and entertainment. Halfway through the month, he realizes he has overspent in his entertainment envelope. What should John do to stay within his overall budget?**
 - a. Transfer money from his rent envelope to cover the entertainment expenses.
 - b. Stop using the envelope budgeting method and switch to another method immediately.
 - c. Reevaluate his spending and reduce expenses in the remaining weeks to avoid overspending again.
 - d. Ignore the overspending since he has enough overall budget left.
3. **Emma is planning to buy a car in the next six months. To achieve this goal, she decides to use the "paying yourself first" budgeting method. What is the primary strategy she should use with this method?**
 - a. Allocate all her monthly income towards car savings and use credit cards for other expenses.
 - b. Set aside a specific amount for her car savings first and then budget the remaining income for other expenses.
 - c. Create a zero-based budget every month to adjust her savings goal.
 - d. Focus only on reducing her current expenses without setting aside any savings.



- 4. Due to a major change in his job, Michael's previous budget is no longer feasible. He decides to use zero-based budgeting to create a new budget. What is the first step Michael should take in this process?**
- a. Identify all his fixed and variable expenses and allocate funds based on his new income.
 - b. Use his old budget as a base and only make minor adjustments.
 - c. Allocate a fixed percentage of his income to savings and divide the rest equally among other expenses.
 - d. Compare his expenses with those of his friends and adjust his budget to match theirs.

Application:

Imagine you have just received a part-time job, and your monthly income is \$800. You have decided to use the 50-30-20 budgeting method to manage your finances. After a few months, you realize you want to save up for a new laptop that costs \$1,200. How would you adjust your budget to save for the laptop within six months using the "paying yourself first" budgeting method? Describe the steps you would take and what changes you might need to make to your current spending.

Different Ways to Budget | Answer Key

Matching

Match the definition in Column A with the budgeting term in Column B.

Column A

- d. Divide cash into envelopes for spending categories.
- e. Recreate budget from scratch after changes.
- a. Planning that tracks money earned, spent, and saved.
- c. Gradually adjust budget as income changes.
- b. Budget with 50% needs, 30% wants, 20% savings.

Column B

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4. Due to a major change in his job, Michael's previous budget is no longer feasible. He decides to use zero-based budgeting to create a new budget. What is the first step Michael should take in this process?
- Identify all his fixed and variable expenses and allocate funds based on his new income.
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Answer:

- Determine the monthly amount needed to save up for the laptop. $\$1200 \div 6 = \200 .
- Set aside savings first. Allocate \$200 of the monthly \$800 for the laptop before budgeting anything else.
- Adjust the remaining budget based on \$600 rather than \$800:
 - Needs (50% of \$600) = \$300
 - Wants (30% of \$600) = \$180
 - Savings ((20% of \$600) = \$120