Budgeting Case Study

To complete this Case Study, you will need to have this document AND the Budgeting Case Study Excel Document open.

**Currency Used**: There are approximately 10 countries in the world that use the term “peso” to refer to their currency. While we use pesos in this case study, the principles discussed here are applicable to any currency used in any country.

**Reminder**: In English commas are used to separate the thousands and hundreds place and periods are used as decimal points. Example: 2,981.34 is two thousand nine hundred eighty-one and thirty-four hundredths.

# **1. Understand the Problem**

Juan recently finished Pathway Connect 101 and has decided to apply what he learned by tracking his expenses and trying to follow a budget each month. His goal is to save 6,500 pesos as an emergency fund.  Unfortunately, at the end of his first month he had saved a meager 181.00 pesos toward his emergency fund. He put the meager 181.0 pesos in a safe place, but at this rate, it’s going to take him a long time to save up his emergency fund! Can Juan adjust his budget so he can save 6,500 pesos for his emergency fund in the next year, or should he get a better paying job or a second job?

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| Question | Answer |
| State the problem in your own words. | Juan might need to get a better source of income to increase her income. |

The Excel spreadsheet you downloaded has Juan’s January budget on the first tab and his February budget on the second tab.

**Complete on Spreadsheet:**

1. Complete the January budget by adding up what Juan spent on Transportation, Groceries, and Other and enter those amounts into the Actual column in his budget (January tab orange boxes).

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| Question | Answer |
| What did Juan spend in the following categories in January?  **HINT**: Look at the Expense Category column to figure out which category each expense goes in. | Transportation:  Groceries: 5200  Other: 2070 |
| What categories did Juan over spend on in January? | Tithing, Utilities, Internet, Groceries and Others |

**Complete on Spreadsheet:**

1. Below are some expenses Juan recorded during the first week in February. Add these to the Spending Record (February tab yellow boxes). Fill out each column. You can assume that each transaction was done with cash.  
     
   2/1 Landlord rent 10,500 pesos  
   2/1 Utilities Store utilities 3,611.39 pesos  
   2/3 Tithing 4,100 pesos  
   2/3 Fast offering 300 pesos  
   2/4 Bus 500 pesos  
   2/4 Market groceries 1,293.75 pesos
2. Now add the items in the Spending Record to the budget’s Actual column (February tab blue boxes). **NOTE**: Only add in what has already been spent in the yellow boxes. Don’t copy what is in the goal column.

# **2. Identifying Variables and Assumptions**

Juan's budget contains both fixed expenses, which remain constant each month, and variable expenses, which vary from one month to another. Look at January’s budget and determine which categories are fixed and which are variable expenses.

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| --- | --- |
| Question | Answer |
| List the categories that contain variable expenses (not including the Emergency Fund). The first one is done for you.  **HINT**: Variables expenses could go up or down each month. Which expenses are different than the goal? | Variables  1. Groceries  2. Transportation  3. Utilities  4. Others  5. Internet  6. Cellphone  7.Fast Offering |
| What assumptions is Juan making? One is listed for you. List three more.  **HINT**: Assumptions are ideas or concepts that are accepted as true. Don’t state the conclusion. Assumptions are like removing the "what ifs" in a scenario. | Assumptions  1. Juan will continue to make 41000 pesos each month.  2. Juan will continue paying Tithing of 4100 tithe  3. Juana will continue paying 680 tuition  4. Juan will continue paying 3933.31 taxes |

# **3. Apply Quantitative Tools**

**Complete on Spreadsheet:**

1. Adjust the February budget Goal column so that Juan will be able to save between 400 and 600 pesos each month for his emergency fund (February tab green boxes).
2. Make sure the monthly cash flow is positive or zero. You don’t want a negative monthly cash flow.

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| Question | Answer |
| Which categories did you change? How did you change them? | I reduce on the amount of Other and Transport. |
| How will these changes affect Juan’s life? | She will be able to have more money saved. |
| How much money does Juan have left to spend on groceries this month? | 3706.25 |
| Juan needs to buy groceries for 3 more weeks, if he keeps spending the same amount each week will he be able to stay within his budget for groceries? Explain. | True since she spends less than the goal. |

# **4. Make an Informed Decision**

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| Question | Answer |
| If Juan sticks to the updated budget you have created, how many months will it take Juan to save up 6,500 pesos for his emergency fund? | 10 months |
| Can Juan adjust his budget so he can save 6,500 pesos for his emergency fund in the next year, or should Juan get a better paying job or a second job? Explain your answer. | Yes, she could adjust in response to emergence fund in the 10 months |

# **5. Evaluate Your Reasoning**

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| Question | Answer |
| What questions should Juan ask himself to evaluate his decision? List at least three questions. | 1. How will he achieve his goal?  2. How will he be able to save for Emergence fund?  3. How does he maintain the budget? |
| What have you learned from Juan’s budget that could help you with your budget? |  |

# Turning in Your Assignment

1. Make sure all the answer boxes are filled in on this document.
2. Make sure all the colored boxes in the Excel spreadsheet are completed.
3. Review the rubric before you turn in this assignment to make sure you will get the best grade possible for your work.
4. Turn in both this document and the Excel spreadsheet.