2. MONEY MANAGEMENT

Let's Discuss :

In previous unit we studied about family income. Every family does not possess same income, hence planning of family income is necessary. Planning of money means balancing expenditure and saving in accordance with income, For example, budgeting. Hence in this unit we will study about money management.

2.1 Family Budget

Making family budget is the planning step of money management. Budgeting involves understanding how much money a family earns and spends over a period of time. Budget is making a plan for spending and saving money. It is a basic necessity of every family to fulfil the basic needs of family members, as it is an important measure of economic stability and wellbeing.

Definition and Meaning :

Morgan defines budget as, "Budget is a plan for future expenditure."

Mann states that, "It is a good guide for family spending."

According to Tolstrup, "It is a plan in order to give every member of the family the utmost satisfaction from the money spent."

A budget is much more than a plan for the use of money. It actually helps families to see how they can use their income to attain those needs which they consider most important.

Family budget is a guide to realistic spending which is aimed at avoiding over expenditure.

Remember this :

Importance of family Budget :

Following are the importance of family budget :

- Planning enables family to take an overview of the use of income. It is a valuable means of comparing various items.
- As it is a plan of money expenditure, it helps in fulfilling wants and desires of the family. It also helps in fulfilling future wants.
- Budget facilitates adjusting irregular income to regular expenditure.
- Budget encourages conscious decision making which is beneficial for the fulfilment of long term goals.
- Budget helps one to live within one's income.
- Budget can develop good purchasing skill and better consumerism.
- Budget gives a clear picture of various items of expenditure which reduces unnecessary expenditure. It automatically saves more money.

- Adjustments arising from increase or decrease in family size and income are more easily accomplished when the family operates on budget.
- Economists and researchers in political science examine family budget as an index of cost of living of the family.
- While making family budget, if matured children are allowed to participate, it has special significance. It provides good training to children.
- Many of the household conflicts are due to unsuccessful financial management. Budget helps in avoiding such type of conflicts.
- It is possible to plan for entertainment, comforts, luxuries, functions and savings from extra money.

Do you know ?

What are the different steps in making budget ?

- **Steps of preparing Family Budget :** Budget of a family should be realistic. To make family budget systematically, certain steps need to be followed. Careful preparation of budget is important to avoid omission of any steps in budgeting. These steps are as follows;

1) **List the commodities and services needed :** The first step is to make list of commodities and services needed by the family members during the proposed period of budget. In order to cover all types of wants, it is categorised into individual wants and common wants. While making the family budget, it should be observed that common wants must be fulfilled. List of individual wants should be prepared according to the necessity. To finalize this list, there should be a family meeting and informal discussion. This will give psychological satisfaction to each member and budget will be successful.

2) **Estimate the cost of desired items :** After making the list of commodities and services, it is very essential to estimate the cost of desired items. Knowledge of market rates is very important in this respect. Experienced homemakers are aware about this. While estimating the cost, probable rise in prices should be added to previous market rates. Gathering information of market rates of various commodities should be shouldered to members of the family according to their interests. After estimating cost of different items of expenditure, total expenditure should be calculated. This task may be tiresome, but it is very essential for the success of the budget.

3) **Estimate the total expected income :** In this step, total monetary income of the family is calculated. It is usually seen that judgement of expected income is not done properly, which affects planning of expenditure on different items. Hence, accurate estimation of expected income is needed. While estimating fixed income, take home-salary of the earning members should be considered. If house rent is a source of income, house-tax should be deducted, and remaining amount should be considered as income. Planning should be done in such a way that primary wants are satisfied through fixed income.

   Gifts, dividend, bonus, royalty, payment for extra work and income from side business should not be grouped under fixed income. As this income is not certain, family should not depend on this income for fulfilment of primary wants.

4) **Balance the expected income and expected expenditure :** The success of budget depends on responsibility with which this step is followed. There are two main reasons which

are responsible for imbalanced budget. They are :

a) Inadequate income.

b) More expenditure.

a) Inadequate income : The way to overcome imbalanced budget is to increase money income. Homemakers and other members of the family can extend valuable co-operation in this respect. If homemaker is employed or engaged in gainful work, it adds to the income. Now days to get a job is very difficult but there are various self-employment opportunities. A homemaker can select any occupation according to her choice. While selecting any work, job or self-employment, a homemaker must be careful about her household responsibilities and she should be confident that her engagement will not affect the happiness and satisfaction of family members. Skill of family members can be utilised in income generating production, which will help in increasing money income.

b) More Expenditure : By reducing the expenditure, balance of income can be achieved. To reduce the expenditure one should consider following points :

i) The comparative market survey for quality and cost of items will help the family to reduce the expenditure.

ii) Avoid the purchase of items which are less important. This can help in balancing of budget.

iii) Family members can utilise the skill of stitching or knitting, ironing clothes, repairing household appliances at home, etc. This will help to save the extra amount of expenditure on paid services.

5) Check the plan : Success of the budget depends on its practical use. This includes checking the prepared plan for reality. A family budget must satisfy primary and secondary needs of the family, otherwise members of the family will be dissatisfied. A budget must have some provision for unexpected expenditure. A flexible budget has more practical use. If budget is prepared according to the long term goals of the family, its practical value for the family is increased. Therefore, the best budget is where income and expenditure is balanced.

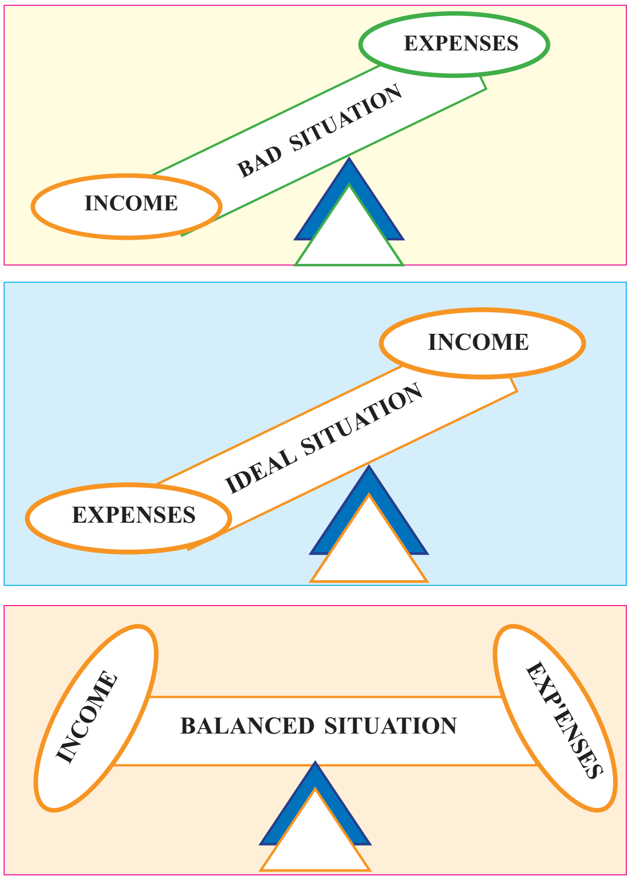


Fig. 2.1 Allocation of income and expenditure

2.2 Savings and Investment

Saving and investments are the important components of financial management of the family.

A) Savings :

According to economists, "saving is a planned remaining amount after deducting expenses from income. Saving is the abstinence from present consumption for the sake of future consumption"

Savings are made for future and unexpected needs and financial security whereas investments mean placing the family funds in such a way that assuring the security of principal and receiving the maximum financial benefit. Generally the amount, which remains after deducting total expenses from one's income, is considered as saving of the family. The money saved from today's income can be used to fulfil future needs which can either be planned or unplanned. Savings are the result of careful planning. Thus saving should form an important component of a family budget.

Always remember :

- **Importance of savings :** A person saves money for so many reasons, some of which are foreseeable, while others are not. Importance of savings is as follows :
  - **It minimizes economic insecurity :** Main objective of saving is to bring financial security. Retirement of head of the family, closure of business or losing a job suddenly reduces the family income. Saving can help the family under such circumstances. Irrespective of such circumstances the demands of the family members must be fulfilled and savings are useful for the same. Economic insecurity causes financial worries and this leads to mental tension. Savings help us to avoid such tension.
  - **Helps in physical disability :** Physical inability can be caused by sudden illness or accident. This may lead to loss of pay or earning due to absence at work. Saving help the person to take medical help, which is a costly matter now a days. Household expenses are possible with the help of saving under such conditions.
  - **Provision for old age :** In some private jobs pension scheme is not applicable. Such people have to depend on the savings. Expenses of medical aid also increase according to advancement in age. If saving is well planned, a person need not be dependent on anybody even in his or her old age.
  - **Future use :** Saving is putting aside money for future use. Though future is uncertain we can plan for the same. To make our future life satisfying and independent savings are essential. Some saving schemes are such that they help the person to use the saving after stipulated period with financial benefits like, fixed deposit scheme in banks.
  - **Provision for occasional expenses :** Some occasional expenses require large amount of money like marriage ceremony, higher education of children, etc. For this, some special saving schemes are introduced for the benefit of people. These long-term schemes of saving, thus help in occasional expenses.
  - **Socio-economic status :** A person having large amount of saving account automatically gets status in society, because people think that they can get financial help from such a person in time of difficulties. To gain such status people try to have more savings.
  - **Source of income :** Different saving schemes benefit the people by paying interest. If the amount is fixed in a bank, rate of interest is more. Thus, one can earn income on savings.
  - **To maintain standard of living :** Every family has particular standard of living, which is mainly decided by economic status. Savings are useful to maintain standard of living during the period of crisis.
  - **Source of getting loan :** A person may require loan for various purpose. Loan

is always sanctioned to a person from whom repayment is possible. A person having saving in the form of fixed deposit in a bank can get loan on it.

- **Major purchases :** It is not possible for everybody to make major purchases instantly. Proper planning can help to save the amount required for purchasing. Middle class families can use this method for costly purchase.
- **Love for off springs :** This is a natural emotion and so provision is made for financial responsibilities regarding children. Some parents plan their saving for satisfaction and make secured life of their children. For example, building house.
- **Good Habit :** Saving is a good habit. Person belonging to each income group can develop this habit. Once it is developed, it will endure because of the benefits.

• Types of Savings :

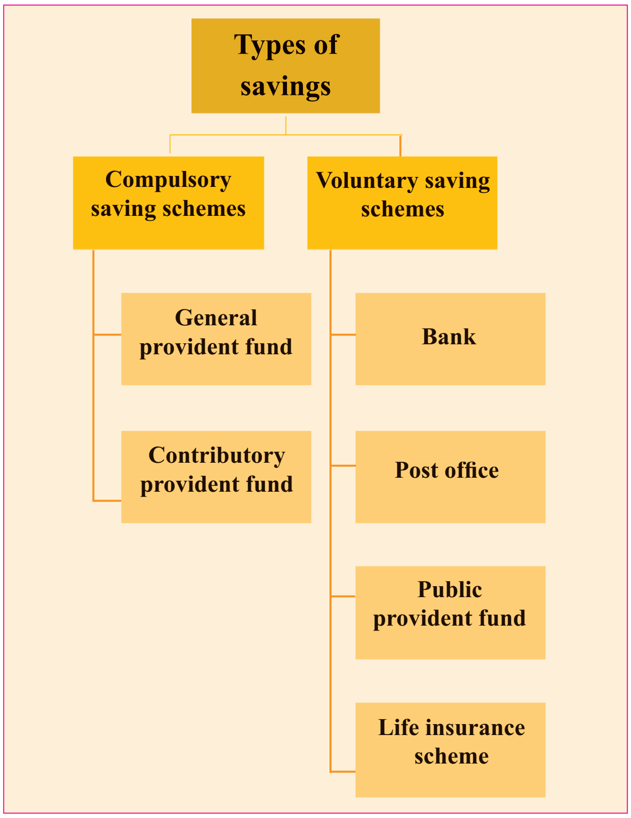


Fig. 2.2 Types of Savings

1) **Compulsory Saving Schemes :** Savings, which are inevitable, are called as compulsory savings. Person as a part of rules and regulations of the institute has to make certain compulsory contribution from salary.

Following are the two types of compulsory savings :

a. **General Provident Fund :** This scheme is provided for government servants. A person completing one year of government job, has to enrol himself in this scheme. This is compulsory for permanent as well as temporary employees. Every employee has to contribute minimum of 10% of his basic pay or voluntarily more towards this fund. The government pays compound interest. The rate of interest fluctuates from time to time. After completion of service period accumulated fund plus interest is paid to the employee. Loan facility is provided for some common occasions. Non-refundable loan can be granted after completion of minimum 10 years of continuous service.

b. **Contributory Provident Fund :** This scheme is beneficial for government, semi-government and private employees. Employees contribute some percent (as per regulation) of their basic salary towards provident fund compulsorily. Employer contributes the amount, which is equal to the contribution of the employee. Employee gets the total fund accumulated after particular year or after retirement. Employee and employer cannot misuse this fund because of legal obligations. Nominated person gets the amount of provident fund in case of an unfortunate death of the employee.

2. **Voluntary Saving Schemes :** When the selection of amount and type of saving scheme totally depend on the depositor, saving can be called as voluntary savings. A person interested in saving is free to choose the saving institution and amount of savings.

   a. **Banks :** A bank does business by taking charge of people's money and lending it to those who need it. The bank pays interest on the money it collects which are called 'deposits'. It charges interest on the money it gives called 'loans'.

Do you know ?

How to open a Saving Accounts in a Bank?

A request for opening a saving account will have to be made on the prescribed form of the bank. Besides giving the relevant particulars, a person will need to furnish the specimen of their signature and copies of two passport size photographs. Person will need to be introduced to the bank by a respectable party, i.e. a customer, an employee of the bank or some other well -known person. The account may be opened by a single person or jointly by two or more persons. Either of the persons can operate the account. A nominee's name has to be mentioned. Savings account can be opened by depositing certain amount according to bank rule. Nominee is a person who would get the saved money in case the account holder dies. This way the bank satisfies itself about your integrity and financial standing. After this, the bank will accept your deposit and give the following facilities :

- **Pass book :** It serves as a copy of your account in the books of the bank.

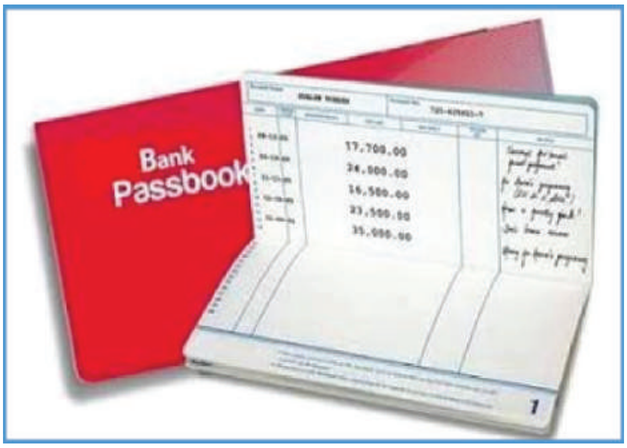


Fig. 2.3 Passbook

- **Cheque Book :** It is to be used for withdrawing money from the bank.

Fig. 2.4 Cheque Book

- **Credit Card :** Most banks provide credit card facility to their customers. This card can be used for purchase of goods and services from selected outlets authorised by the bank. It is also known as plastic money. The amount of credit a customer can avail of is limited as agreed upon at the time of issue of the credit card. One can also withdraw money using a credit card throughout an automated teller machine (ATM). At the end of every month you receive a statement of the total credit availed by you. You have to repay the whole amount or part of it as mentioned in the statement. A high rate of interest is charged on the outstanding balance; therefore, you should be careful in using a credit card.

- **Debit Card :** This card is similar to credit card except in the following terms :
  - This card is issued against your savings bank account.
  - As you make a payment using this card, the money is automatically debited from your account.
  - In this manner you use your money instead of taking credit from the bank.

Fig. 2.5 Debit Card

- **ATM :** Using a credit or a debit card, you can withdraw money from an ATM at any time of the day or at night (24 Hours services). These are located in various places like a bank building, shopping complex, a residential area or railway/ bus terminal etc. Thus cash is available even beyond the bank hours. In the case of a debit card, a person withdraw his or her own money for which no interest is charged.

Fig. 2.6 ATM Card

- **Loans :** Today financial institution provide loans for many purposes like personal use, education, purchase of a house, vehicle, household durables, maintenance and repairs of house; setting up own business, etc. The interest charged by these institutions varies according to the purpose, amount, repayment period and type of institution (government and private). These loans can be repaid easily in monthly instalment. To avail of these loans you need to provide either a guarantor and or a bond and or security in the form of fix deposit, property or jewellery etc.
- **E-Banking :** These days the internet provides you the following services at the press of the button.
  - To know the balance, application for check book or draft, credit card payments etc
  - Utilization of telemarketing facility to purchase goods or to avail services.
  - Purchasing railway and air tickets.
  - Payment of telephone, electric bills etc.
  - This saves your time while making trips to the bank and other places.

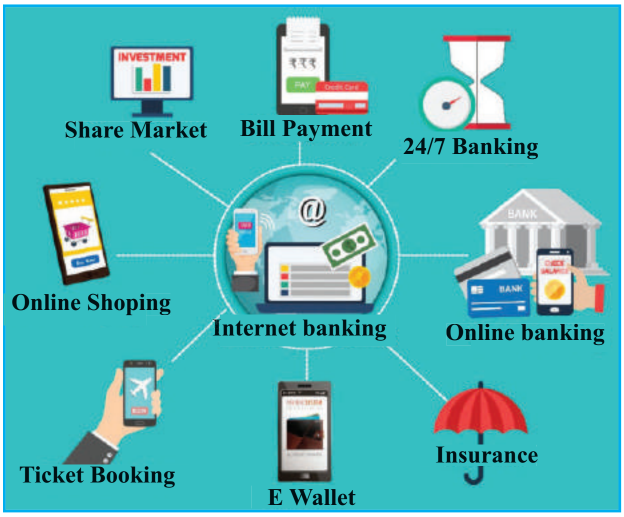


Fig. 2.7 E-Banking

Types of Saving Schemes of Banks :

- Saving Account
- Current Account
- Fixed Deposits
- Recurring deposits
- Pigmy Account

Know this :

What is UPI ? :

Unified Payments Interface (UPI) is an instant real-time payment system developed by National Payments Corporation of India facilitating inter-bank transactions. The interface is regulated by the Reserve Bank of India and works by instantly transferring funds between two bank accounts on a mobile platform. This mobile banking interface has been facilitating and integrating safe and swift cashless transactions. UPI is operated through Immediate Payment Service (IMPS). You can instantly transfer amount without having to wait for queue clearance like in NEFT.UPI is simple to use.

Do you know ? : BHIM, RTGS, NEFT

BHIM : (Bharat Interface for Money) is a mobile payment App developed by the National Payments Corporation of India (NPCI) based on the Unified Payments Interface (UPI). The app is named after Dr. B.R. Ambedkar and launched on 30th December 2016, it is intended to facilitate e-payments directly through banks as a part of the 2016 Indian bank note demonetization and drive towards cashless transactions. BHIM allow users to send or receive money to or UPI payment addresses, or to non-UPI based account by scanning a QR code with account number and IFSC code or MMID (Mobile Money Identifier Code).By BHIM a person can exchange funds from any bank account of any branch to any other bank account of same or different bank.

Fig. 2.8 Logo of BHIM-UPI

RTGS : (Real Time Gross Settlement) is an electronic payment system that allow individuals to transfer funds between banks. It is applicable only for money transfer within the country. It is one of the fastest interbank money transfer facility available through banking channels in India. The beneficiary bank has to credit the recipients account within 30 minutes of receiving the funds transfer message. It is mostly meant for large transactions.

NEFT : (National Electronic Funds Transfer) is operates on a deferred settlement basis. Fund transfer under NEFT is settled in batches as opposed to the real-time settlement process in RTGS. The batches are settled in hourly time slots. Customers having savings or current account are eligible to avail NEFT or RTGS service. Individuals who do not have a bank account can also deposit cash at the NEFT-enabled branches. NEFT takes time to transfer money and some amount is charged for the process.

Internet is my friend :
What is Digital Wallet ?

Digital Wallet : Individual can store money in digital wallet and use it for utility purposes like recharge, bill, toll, for payment at shop by scanning QR code for example - paytm

Internet is my friend :

Find out, information of various digital wallets.

b. Post Office : The department of post is a government organization coming under ministry of communication. It is commonly known as post office. It was founded on 1st October, 1854.

A person can save money in the post-office. Saving in a post-office has certain advantages such as it is conveniently located, person can start a saving account even with a very small amount and person can get income- tax benefit by investing in many of its scheme. The method of opening an account is the same as that in a bank.

Post office provides following schemes for saving :

- Saving Account
- Recurring Deposit
- Saving Certificates
- Monthly Income Scheme (MIS)
- Public Provident Fund (PPF)
- Pradhanmantri Suraksha Bima Yojna (PMSBY)
- Post Office Life Insurance (PLI)
- SukanyaYojna
- Atal Pension Yojna (APY)
- Pradhanmantri Jiwan Jyoti Bima Yojna (PMJJBY)
- Rural Post Office Life Insurance (RPLI)

Find out :

Collect information about the above mentioned schemes

भारतीय डाक
Indian Post

Fig. 2.9 Logo of Post-Office

c. **Public Provident Fund :** This is a type of voluntary saving. Any adult can open the account and save from Rs. 100 and above. The minimum period of the scheme is 15 years which can be further extended for 5 years. The greatest advantage of this scheme is relief from income tax. A depositor has to deposit minimum amount of Rs. 100 before 31st of March every year to continue the account. A person can invest maximum of Rs. 1,50,000/- every year. The rate of interest will vary every year.

d. **Life Insurance :** Life insurance policy can be termed as an "agreement" between the depositor and Life Insurance Company. The main objective of life insurance is the family protection, provision for old age and security for educational purposes. The life insurance scheme was taken mainly as a measure of security in the event of death but now it offers many schemes and therefore considered to be an important and superior avenue of savings for every investor.

Remember this :

Advantages of life insurance :

- It provides safety to the dependents in the event of premature death of the policy holder. It also offers cover for life risk.
- It is a provision for old age and provides money for education, marriage of children or for house building, provides loan facility etc.
- A person gets tax benefit.
- It helps capital formation which ultimately contributes to the economic development of the country.

Types of Life Insurance Schemes :

1. **Whole Life Insurance :** Under this policy, premium is payable throughout the

lifetime of the insured. The only possible disadvantage is that the person may feel the pinch of premium after retirement when the regular salary income reduces. The mode of payment can be monthly, quarterly, half yearly or annually.

2. **Endowment Insurance :** This is a goal-oriented policy. It is the most popular form of life insurance since it not only makes provision for the family of the insured in the event of his premature death but also ensures a lump sum, to the same person who was insured. The amount insured becomes payable at the end of endowment term which may be from 5 years to 20 years. Money back policies are the example of endowment insurance.

B) Investments : Investment is the use of money for the purpose of making more money. Investment is different from saving in that it sets out not only to preserve capital but also to make it grow as fast as possible coupled with maximum security of the principal. Although; the purpose behind investment for all families is to earn more money, safety of the capital is also important.

Do you know ? Meaning of Investment.

Definition of Investment :

According to expert, "Investment refers to an asset or item that is purchased with the hope that it will generate income or appreciate in the future."

- **Guidelines for Investments :** Some guidelines are helpful for investment because if care is not taken while planning, a person may have to face financial losses and individual may face difficulties in using the amount when necessary. To avoid this, following guidelines need to be considered.

1. **Safety of the Capital :** The safety of the capital is of utmost importance. The purpose of investment will be lost if the capital itself is rendered insecure. Hence, following points must be considered in this respect :
   - Initial stages of private company may be unsafe for investment.
   - Consider the reputation and financial position of the company and demand for their product.
   - While making investment in private company, sufficient information should be gathered from reliable sources and consider legal aspects.
   - All business dealings should be in legal and written format especially while investing in immovable property.
   - It is always safe to invest small amount in different companies than investing large sum in one company.

2. **Cash profit :** Cash profit varies according to the type of investment. Rate of investment and percentage of dividend changes according to the type of business. While investing large amount little difference in rate will make great difference in financial gain. Careful thinking is needed in this respect. Income tax rebate is given on specific types of investment. While considering financial profit, security of the capital takes secondary position because more security means less profit. If profits are regular and stable they should be preferred because they provide fixed income. This income particularly is helpful after retirement.

3. **Liquidity :** If the earning member loses his job or resigns from it, the income is depleted. Sometime individual requires extra amount for expenditure then

individual can raise this amount if the investment is in liquidity. Investment in immovable property has less liquidity. If an individual owns shares in prospering company, by selling them, individual can raise the amount, but if the company is not doing well, the value of shares will reduce and this will result in financial losses.

4. **Ease of management :** This principal is applicable especially for real estate investment. If the investment in real estate is in a far off place, it creates management problems. Regular supervision is necessary for this investment and the manager appointed should be a trustworthy person.

Types of Investment :

1. **Real Estate :** Real estate investment in immovable property is traditional and a popular form of investment. Purchase of a house and land are the examples of this type of investment. This kind of investment is also done to give financial support to children or by renting out the house, this investment adds to the monthly income of the family. Agriculture business can add to the income.

2. **Shares :** Capital is required to start a business. To raise the capital, company sells their shares and promises to pay dividend to the shareholder. Amount of dividend depends on the type of shares. A person who has invested money in shares should be very vigilant about information regarding price of the shares. If current price of the share is more than the purchased price, it indicates that the company is making good profits. On the other hand, if current price is declining it will indicate that current financial position of the company is not satisfactory. A person who wants to earn money can dispose off his shares when the sale value of the shares is on the higher side. Shares can be of two types i. e. Preferential shares and Common shares.

3. **Bonds :** Bonds were originally introduced by government to encourage the habit of saving among common people. A person could purchase bonds at the rate of rupees hundred per bond. After maturity, bond holder use to get back his money along with interest.

4. **Mutual Funds :**

Definition : "A mutual fund is a professionally managed investment scheme, usually run by an asset management company that brings together a group of people and invests their money in stocks, bonds and other security."

As an investor, an individual can buy mutual fund 'units'. These units can be purchased or redeemed as and when required by considering NAV (Net Asset Value).

5. **Precious Metals and Gems :** Investing money in precious metals and gems is a traditional form of investment. It has high liquidity. For example, investment in gold, silver, diamond etc. An individual can sell these out in crises situation to get cash.

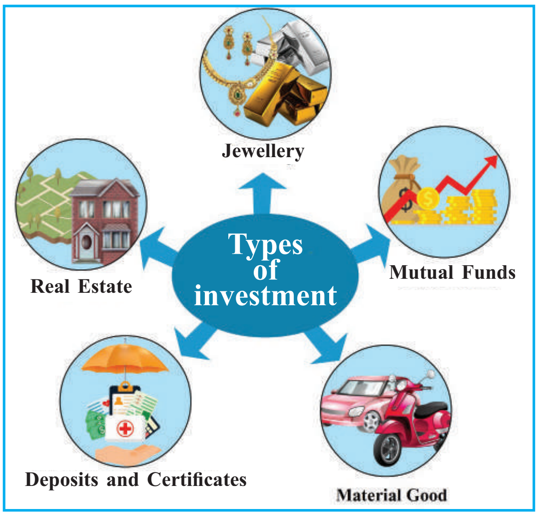


Fig. 2.10 Types of Investment

2.3 Account Keeping

Household account keeping is an important part of money management of the family.

Account is a major method of checking the budget as it is put into action. That means it is the **controlling step of money management.** Account shows the distributions of money after expenditure have been made. An account is a systematic and summarised record of transaction. It shows how the money is actually spent by the family.

Always remember :
Advantages of Account Keeping :

- **Importance of Account Keeping** :
  Account keeping helps to recognise how money is spend under various categories of expenditure provided for in the budget. It helps to recognise the exact amount spend on various categories as against the estimated expenditure shown in the budget. It helps to keep a check over the family budget. If the family overspends on a particular category during the first half of the month, the family will have to reduce their expenditure on this category in the latter half of the month.

  Records are helpful as past history, to show what emergency expenditure it has incurred in the past. Past records give an idea regarding the prices of various items; this helps families in planning their budget. It also helps to decide from where and when to buy. The prices of certain items vary with seasons. Past records help to identify weather the purchase was right or not.

- **Methods of Account Keeping :** There are two commonly used methods of account keeping.

  1. **Mental Method :** In this method, the accounts are not kept in the written format. The amounts spent on various items of expenditure are calculated and effort is made to keep a check on expenditure mentally. However, it may be difficult for some people to remember all the expenses.

  2. **Written Method :** Expenditure done in various categories are recorded by using various methods such as :

     a) **The Sheet System :** Records of expenditure may be kept on loose sheets kept at a convenient place. The place should be accessible at all times.

     b) **Envelope System :** This system consists of dividing the money into previously planned amounts and placing the money for each group of item into separate envelops to be spent as the need arises for example ; food, housing, travelling etc. This system could be used by people who receive their weekly wages and who operate mostly on cash method of payment.

     c) **Note Book System :** For keeping family records special books can be bought by the family or an exercise book can be used by drawing suitable columns as per the family budget. This can be worked out on weekly basis. A good quality bound note book can be easily handled by the children and thus they can also be involved in the process of budgeting and account keeping.

     d) **The Chart System :** Separate charts can be prepared for each category, indicated in the budget and the amount spent under each, is recorded here. Such charts can be prepared on weekly or monthly basis and can be filed. This system is suitable for a person who is very regular and has a systematic and organised method of working.

Find out :
The difference between note book system and chart system.

2.4 Evaluation of Money Management

This is the third step of money management. It helps to review how the money has been used by the family. At the same, it tells us whether the plan of budget and the control step of account keeping were successful or not for giving satisfaction to the family members. It gives guidelines for modifications and improvement in budgeting and account keeping. It can be carried out by checking the budget and account keeping at every step of use of money. It can be done by asking questions to oneself or getting it checked from the experts.

Can You Recall ?

- Making family budget is the planning step of money management.
- Steps in making the budget for a family are- List the commodities and services needed, Estimate the cost of desired items, Estimate the total expected income, Balance the expected income and expected expenditure, Check the plan.
- Importance of savings – It minimizes economic insecurity, helps in physical disability, provision for old age, future use, provision for occasional expenses, socio-economic status, source of income, to maintain standard of living, source of getting loan, major purchases, love for off springs, good habits.
- Types of saving scheme are compulsory saving schemes and voluntary saving schemes.
- Compulsory saving schemes include general provident fund and contributory provident fund.
- Voluntary saving schemes include bank, post office, public provident fund and Life Insurance Company.
- Types of investments are real estate, shares, mutual funds, bonds, metals and gems.
- Account keeping is the control step of money management.
- Evaluation of money management is essential for the improvement is future money management.

Exercises

- **Objective questions :**

1) Multiple choice questions :

1. A plan for spending and saving is termed as __________
   a) household account
   b) household record
   c) budget
   d) interest

2. __________ is an example of UPI.
   a) NEFT b) IMPS
   c) RTGS d) BHIM

3. Easy purchase of railway and air tickets is possible through __________
   a) E-banking b) RTGS
   c) IMPS d) NEFT

4. Income for a family comprises of money, goods and __________
   a) desires b) services
   c) satisfaction d) wants

5. __________ varies according to the type of investment.
   a) Interest b) cash profit
   c) budget d) services

2) Match the following columns :

A	B	C
Step in making budget	ATM Card	Practical use
Savings	General provident fund	Shopping complex
Compulsory scheme	Future use	Government servants
Bank	Check the plan	Marriage use

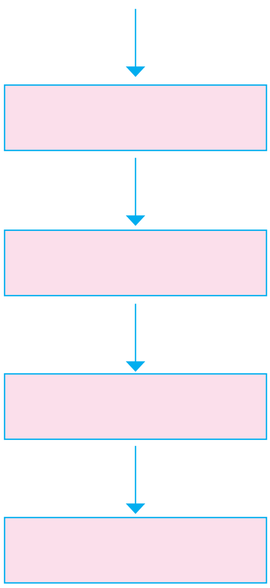
3) Identify whether the following statements are true or false :

1. Budget is a type of household account.
2. One of the most important items in the budget is savings.
3. Savings in Post office and bank are the voluntary types of savings.
4. Inevitable savings are voluntary type of savings.
5. Family goals affect the budget.

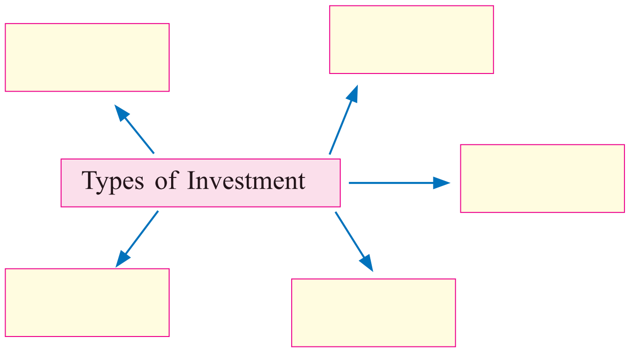
4) Short Answer Questions :

a) Complete the diagram.

Voluntary Saving Scheme



b) Complete the table :



c) Write about post office saving scheme.

d) Give reason : Why should a family make a spending plan ?

e) Differentiate between credit card and debit card.

5) Long answer questions :

a. Define "family budget" and explain its importance.

b. Explain the steps involved in making the family budget.

c. Describe the objectives of savings.

d. Explain types of investments.

Projects / Assignment :

1. Visit bank/post office/other cooperative society and collect the information on various saving schemes offered and write a report.
2. Prepare family budget for any one income group i.e. low income, middle income and high income group.

Practical/Related activities :

1. Make a list of your own expenditure for a week and priorities them.
2. Find out the names of some policies offered by the Life Insurance Company.