# Assessment 1 Template

## Budget 1

|  | **Dollars ($)** | **Percent (%)** |
| --- | --- | --- |
| **Income** | 50,000 | 100 |
| **Expenditures** |  |  |
| Housing | 8,500 | 17.0 |
| Food | 5,500 | 11.0 |
| Utilities | 5,000 | 10.0 |
| Transportation | 7,000 | 14.0 |
| Taxes | 6,000 | 12.0 |
| Debt Payments or Savings | 5,500 | 11.0 |
| Soc. Security, Personal Ins., 401k | 5,000 | 10.0 |
| Health Care | 2,500 | 5.0 |
| Entertainment | 2,000 | 4.0 |
| Apparel | 1,400 | 2.8 |
| Misc | 1,000 | 2.0 |
| Personal Care | 600 | 1.2 |
| **Total** | 50,000 | 100 |

## Budget 2

|  | **Dollars ($)** | **Percent (%)** |
| --- | --- | --- |
| **Income** | 51,000 | 100 |
| **Expenditures** |  |  |
| Housing | 10,000 | 19.6 |
| Food | 5,300 | 10.4 |
| Utilities | 5,100 | 10.0 |
| Transportation | 7,000 | 13.7 |
| Taxes | 5,800 | 11.4 |
| Debt Payments or Savings | 4,900 | 9.6 |
| Soc. Security, Personal Ins., 401k | 5,000 | 9.8 |
| Health Care | 2,600 | 5.1 |
| Entertainment | 1,100 | 2.2 |
| Apparel | 900 | 1.8 |
| Misc | 700 | 1.3 |
| Personal Care | 600 | 1.2 |
| Education | 2,000 | 3.9 |
| **Total** | 51,000 | 100 |

## Scenario

Your child is starting a two-year culinary program at community college this year and was awarded a small grant to cover some of the cost. You need to adjust your budget for this additional expense, as well as consider and project future economic trends. At the beginning of this year, the cost of housing for example rose as there were more renters than rental units. Additionally, certain trade decisions have made some imported item more expensive than the previous year. The family’s income changed slightly, but because of these economic changes, will need to make changes to the yearly budget. You will need to analyze spending in the prior year (Budget 1) and the current budget (Budget 2) for this year. Your family might not be happy with some of your decisions about where to spend less or where to spend more. So, you also need to be prepared to explain the reasoning for your decisions to them.

## Questions

1. You have learned about economic concepts such as supply and demand, scarcity, tradeoff decisions, international trade, opportunity cost, and compound growth. Think about the economic concepts you encountered in the resources for this assessment, or those you know about from previously learning or research. These could include concepts such as supply and demand, scarcity, tradeoff decisions, inflation, and opportunity costs. Choose at least one economic concept and describe how it is relevant to the scenario and your two budgets.

Inflation is relevant to this situation. Comparing the previous years budget, housing costs have increased $1,500.

1. How did expenditures change between budgets? Which expenditures changed the most? Which expenditures changed the least? Which stayed the same? Summarize the change in expenditures between budgets.

The largest increase was in housing at $1,500 increase. Most of the items have slightly decreased. Entertainmanet has decreased by $900. Education is the largest new expense at $2,000.

1. What were the economic trends that created the need for your family to change their expenditures? What can you infer about the connection between prices and expenditures, based on the economic concepts you have learned? Describe the economic trends that created the need for a change in expenditures.

[Write your response to question 3 here.]

1. Think of a way to explain the rationale for your budget decisions to your family. Some questions you could think about to help create your explanation are:

* Why did you decide to buy less food?
* Why did your housing costs increase?
* Why did you decide to cut the most from entertainment and apparel?
* Why couldn't you change the amount you spent on transportation (this likely includes your car payment)?
  + What other areas had to remain the same?
* Why did you decide to reduce the amount that you paid towards existing debt or put into savings, and what will the long-term effects of that be?

[Write your response to question 4 here.]

1. In our personal lives, we sometimes need to react to changes in our economic environment. Thinking about your own budget, describe how a change in an economic variable (such as a change in income, employment, interest rates, or prices) from within the last year either has impacted or could impact your personal life and finances. If the trend continues over the next year or two, what predictions could you make about further impacts to your personal life and finances?

[Write your response to question 5 here.]