

**San Diego Miramar College**  
**Business 120 *Personal Financial Management***  
Dr. Duane Short

**BUDGET VARIANCES**

**Step 1**

Gather information that you can use to estimate your income and expenses over the last one-month period (since you created your comprehensive personal budget in this class). Unless you keep very careful records, you won't have perfect information. That's OK; just get whatever you can to help you estimate the money that came in and the money that went out. The following documents will probably help you with this step:

- The notepad or app in which you saved a record of your two-week spending behavior
- Pay stubs
- Bank statements
- Bill payment records
- Credit card statements
- Checkbook register or a log of checks paid
- Monthly debit card transactions
- Investment account statements

**Step 2**

Open the "Financial Worksheets" Excel document that you have saved to your computer or other electronic storage device and click on the "Comprehensive Budget" tab at the bottom of the screen.

Furniture  
Clothing  
Electronics and appliances  
Jewelry  
[Enter other as needed]  
[Enter other as needed]

► **Balance Sheet** Cash Flow Savings Goal **Comprehensive Budget** ◀

**Click on the  
"Comprehensive  
Budget" tab**

### Step 3

Using the information you gathered in Step 1, list the actual income or expense you experienced during the month for each line item in the budget. Be sure to include the actual amount of money you saved towards the savings goal that you created in an earlier module.

Type	Description	Historical	Budgeted	Actual	Variance	Variance %
Discretionary Expenses	Dining	\$167	\$100	\$143	\$43	43%
Discretionary Expenses	Gifts	\$83	\$75	\$70	(\$5)	-7%
Discretionary Expenses	Travel	\$113	\$100	\$0		
Discretionary Expenses	Entertainment	\$167	\$150	\$155	\$5	3%
Discretionary Expenses	Personal Care	\$38	\$50	\$52	\$2	4%
Discretionary Expenses	Shopping	\$42	\$50			
Discretionary Expenses	Charity	\$50	\$50			
Discretionary Expenses	Club/Memberships	\$20	\$20			
Discretionary Expenses	Internet/TV	\$46	\$46			

**Enter your actual amount  
from the last month for each  
budget item**

### Step 4

Review the variance (Variance) and variance percentage (Variance %) for each budget line item. The variance is the actual dollar amount over or under your budget. The variance percentage is the percent that the item was above or below the budgeted amount. (Items that have no actual amounts will not show a variance, such as the "Travel" expense item above.) For each item that has a variance of more than 5% above or below the budgeted amount, determine why the actual income or expense varied from your budgeted amount, then write a brief explanation of the variance in the right-most column under the "Brief Explanation of Variance (+/- 5%)" column heading. An explanation of a few words or one sentence is fine. The variance percentages that are more than 5% above or below the budgeted amount will appear in red, so when you are finished every red variance percentage should have a brief explanation next to it.

Budgeted	Actual	Variance	Variance %	Brief Explanation of Variance (+/- 5%)
\$100	\$143	\$43	43%	Went out for my friend's birthday
\$75	\$70	(\$5)	-7%	Bought a slightly less expensive gift for my friend
\$100	\$0			
\$150	\$155	\$5	3%	
\$50	\$52	\$2		

**Enter a brief  
explanation for any  
variance of +/- 5%**

## **Step 5**

You're done entering data! Review the totals at the end of each section of the budget as well as the overall total at the bottom to see how well you kept to your budget overall. In managing your own personal finances, you would do this review and analysis again for the following month (or whatever time period you choose). For now, please save the spreadsheet to your computer or electronic storage device and then upload it to the Module 10 Exercise page in Blackboard.

Please also start reflecting on this budgeting exercise and what you might change in the future to improve your budget. You will analyze your budget and answer some reflection questions in the Personal Budget Project during a later module in the class.