PART A: VERIFYING IF A BUDGET CAN ABSORB AN INCREASE OF AN EXPENSE OR AN UNEXPECTED EXPENSE

Question 1:

a) Below is Adrien's budget. How much has he budgeted for taxis?

----MONTHLY BUDGET----

| Revenue | |
|---|---|
| Salary | 366 |
| Allowance | 160 |
| CPP (government) | 500 |

| Expenses | |
|---|---|
| Fixed Costs | |
| Rent | 500 |
| Hydro | 30.85 |
| Variable Costs | |
| Food | 300 |
| Taxi | 190 |

$190 - taxis

b) Since the price of gas has gone up, the price of taxis has also gone up by 5%. Can he still afford this expense?

New cost = old cost + 0.05 (old cost)

NC = 190 + 0.05 (190)

NC = 199.5

Jan

| R | |
|---|---|
| S | |
| A | |
| G | |
| TR | $1026 |

Feb

| E | |
|---|---|
| D | |
| H | |
| E | |
| NT | 199.5 |
| TE | 1030.35 |

Surplus : TR - TE

Deficit : -4.35 $

the amount of money you owe.

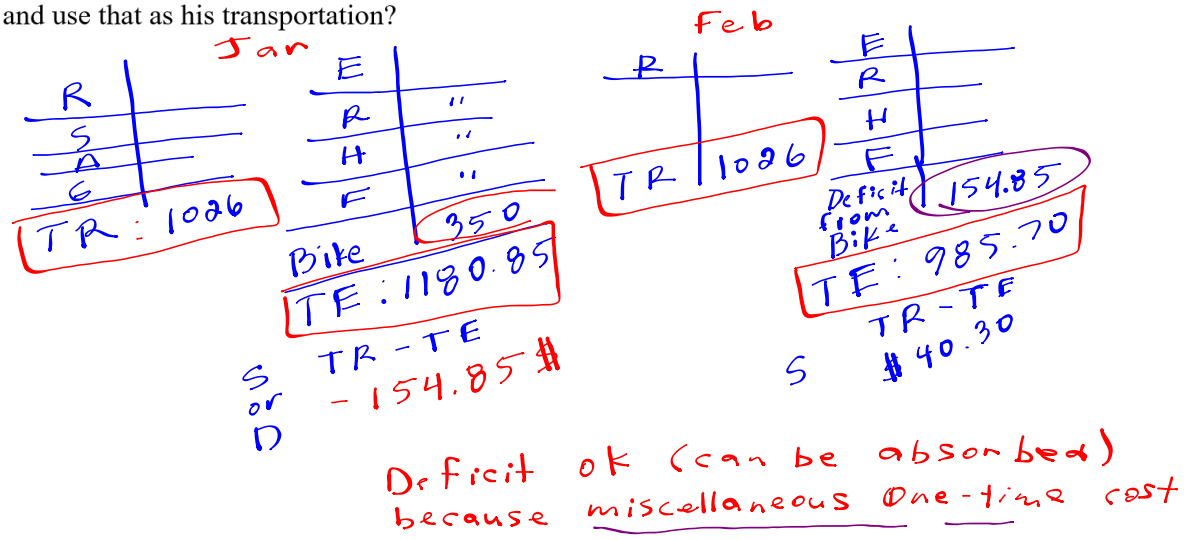
Can't absorb because it a monthly expense. Deficit ✗

----MONTHLY BUDGET----

| Revenue | |
|---|---|
| Salary | 366 |
| Allowance | 160 |
| CPP (government) | 500 |

| Expenses | |
|---|---|
| Fixed Costs | |
| Rent | 500 |
| Hydro | 30.85 |
| Variable Costs | |
| Food | 300 |
| Taxi | 190 |

c) If he eliminates taxis from his budget, could he afford to buy a bicycle that costs $350 and use that as his transportation?




Deficit ok (can be absorbed) because miscellaneous one-time cost

----MONTHLY BUDGET----

| Revenue | |
|---|---|
| Salary | 366 |
| Allowance | 160 |
| CPP (government) | 500 |

| Expenses | |
|---|---|
| Fixed Costs | |
| Rent | 500 |
| Hydro | 30.85 |
| Variable Costs | |
| Food | 300 |
| Taxi | 190 |

d) Instead of taxis nor a bicycle, his mother wants to help him out by letting him use her second car. She will even pay for the gas. He will just have to pay for an insurance fee of $225 three times a year (April/August/December). Can he afford it in his budget?

irregular expense → recurring not at monthly rate

spread out over months → divide fee by # of months in between payments

4 month

1/4 of for 1/4 of fee

jan feb march

may june july

sept oct nov

april 30th

aug 30th

dec dec 30th

R

S

A

G

TR : $1026

E

R

H

F

1/4 of insurance fee

225/4 = 56.25 $

TE : 887.10 $

S : $138.9

if deficit for an irregular expense BAD

## PART B: DETERMINING THE PURCHASE WITH THE BEST VALUE FOR MONEY

Question 1: Adrien is a photographer and is interested in buying some black-and-white film that can take 24 pictures.

a) Which purchase gives him the best value for his money

| | |
|---|---|
| i. 2 rolls of film for $56.14 | ii. $28.50 a roll |
| iii. A dozen rolls for $336.84 | iv. Half-a-dozen rolls for $168 |

Cost $/roll × # of rolls = Total cost

$/roll × 2 rolls = 56.14 $

2 rolls

$/roll = $28.07 per roll

$28.50/roll

12

$/roll × # of rolls = Total cost

$/roll × 12 = 336.84 $

12 roll

12

$/unit = $28.07 per unit

$/roll × # of rolls = Total cost

$/roll × 6 = 168

$28 per roll

step i:
Find unit cost ($) of each purchase

step ii
Pick lowest cost