

Household Budget Notes

A household budget is a forecast of Income and Expenditure for a period in the future, usually laid out in terms of months.

Why prepare a Budget?

Household Budgets are prepared in order to help plan for expenditure. It also shows a family if and when they may need to arrange extra income or to reduce expenditure.

It shows us the following;

- Surplus on a month-by-month basis OR Deficits on a month-by-month basis.
- Months in which we will have to arrange to get more money e.g. Christmas, Back to school etc. Ways we can do this would include getting a Bank overdraft, loans etc.

Calculating the Budget

(1) Net Cash

Total Income – Total Expenditure

(This is essentially your money left over each month)

(2) Opening Cash

- This is money you had in the bank or on hand before you started doing the budget.
- You put it in the 'first' month AND in the 'total' column.

(3) Closing Cash

- This is the money you have at the end of the month and is calculated by adding Net Cash and Opening Cash each month.
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- It will also be your opening cash for the next month.