
1.2

Managing Resources

Household Expenditure

Learning Outcome Notes

LO 1.2 - Identify and classify sources of income and expenditure, compare options available to best manage financial resources, evaluating the risks associated with each option and making informed and responsible judgements

CHAPTER QUESTIONS

By the end of this learnign outcome you should be able to do the following

1. Explain the difference between fixed, irregular and discretionary spending.
2. Explain the difference between current and capital expenditure.
3. Define Impulse and false economy.
4. Prepare a household budget.

WHAT IS EXPENDITURE

Expenditure ^{Def} This refers to what the people choose to spend their income in order to satisfy their needs and wants.

TYPES OF EXPENDITURE

There are 3 different types of expenditure. They include -

1. Fixed Expenditure
2. Irregular Expenditure
3. Discretionary Expenditure

1. Fixed Expenditure

Fixed Expenditure ^{Def} This type of expenditure is the same amount of money begin spent each week. This type of expenditure includes the following

-

- | | | | |
|------------------------|-----------------------------|-------------------|---------------|
| 1) Mortgage repayments | 2) Rent | 3) Car Repayments | 4) TV Licence |
| 5) Insurance Premiums | 6) Local Property Tax (LPT) | | |

2. Irregular Expenditure

Irregular Expenditure ^{Def} This type of expenditure varies in amounts from week to week and they are not as frequent as fixed expenditure. This type of expenditure includes -

- | | | | |
|--------------------|-------------|---------------|-------------------|
| 1) Groceries | 2) Clothing | 3) Motor Fuel | 4) Light and Heat |
| 5) Telephone Bills | 6) Repairs | | |

3. Discretionary**Discretionary**

Def This is spending on non-essential items that we chose to buy. It usually satisfies a want more than a need. For this reason, they should only be bought after essential items have been purchased. This type of expenditure included -

1) Entertainment

2) Holidays

3) Gifts

CURRENT EXPENDITURE V CAPITAL EXPENDITURE

Current Expenditure **Def** This type of expenditure is continuous and regular. It is also known as the day to day expenditure. Example of this type of expenditure include

1) Groceries

2) Utility Bills

3) Rent

4) Educations

Capital Expenditure **Def** This type of expenditure is less regular that current expenditure and may be a once off payment or not repeated for a long time. Example of this type of expenditure include

1) A new Car

2) A lab top

4) Washing Machine

4) Furniture

GUIDELINES FOR EFFECTIVE SPENDING

Household should be very careful that they don't overspend and only buy thing that they can afford. To do this they should following these 6 tips to help they spend their hard earn money wisely

1. Prepare a Budget

2. Prioritise Expenditure

3. Avoid Impulse Buying

4. Beware of False Economies

5. Consider Opportunity Costs

6. Check Bills, Invoices and Interest Rates

Impulse Buying

Def This is buying thing that are unplanned or bought on the spur of the moment. These items may not be needed, and you might not be able to afford them.

False Economy

Def This is a purchase that initially appears to be good for money but in the long term turns out to be more expensive. For Example, not servicing your car to save money which might result in a major fault in the future

RECORDING AND PLANNING HOUSEHOLD EXPENDITURE

As part of the Junior Cycle, you will have to fill in an analysed cash book and complete a cash budget. Please have a look at past exam papers and videos on the website to help with this part of the learning outcome

SOLUTION TO OVERSPENDING

If you keep up to date records of you spending, you can put into place measure to prevent overspending. You can also follow these tips -

1. Cut back on spending - so you have more money left over.
2. Postpone non-essential spending.
3. Spread large payments over a longer period of time so you are not paying out a huge amount of money in one month but spread the repayment over a period of time.
4. Generate extra Income.
5. Use savings or surplus money from previous months.
6. Borrow Money.

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Past Exam Questions and Answers

NOTE - Very Important

It is very important when answering exams question that you use the following steps -

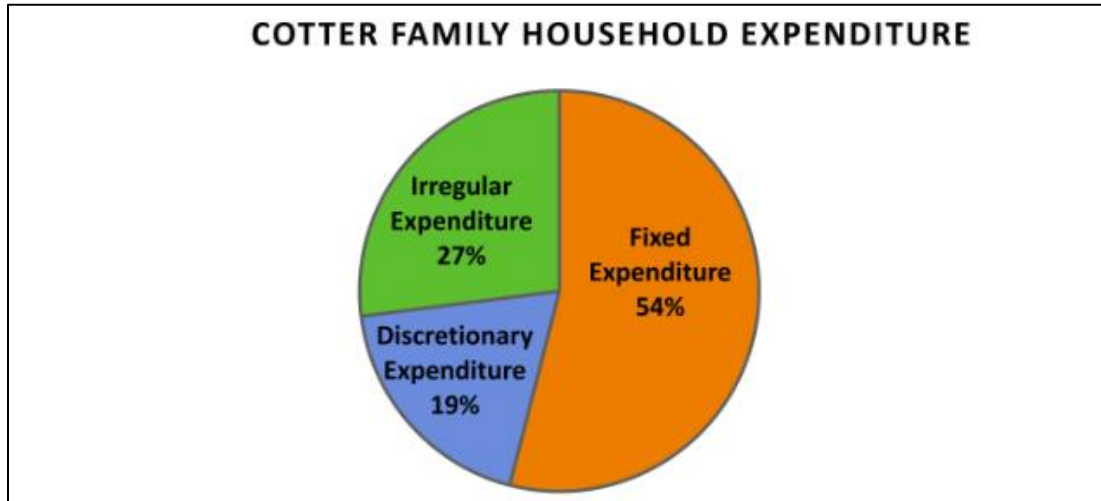
1. That you know the information for the learning outcome
2. That you understand the information from the learning outcome
3. That you can apply the information from the learning outcome to the question
4. Be able to give at least two full sentences for your answer (Fill up the space)

Questions are changing from rote learning to applying the knowledge to the Question

QUESTIONS

2022 - Question 1

The graph below shows the Cotter family household expenditure -



- (i) Which type of expenditure had the highest percentage of total expenditure in the cotter household?

- (ii) Give one example of each type of expenditure below -

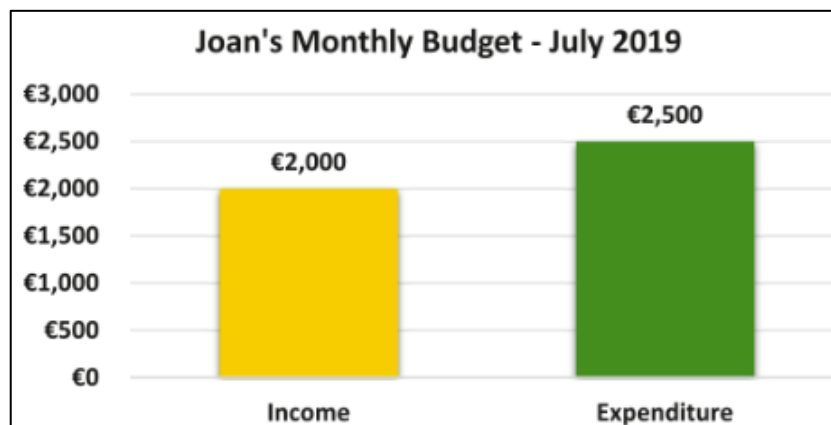
Fixed Expenditure:

Irregular Expenditure:

Discretionary Expenditure:

2019 - Question 1

The graph below shows Joan Murphy's monthly budget -

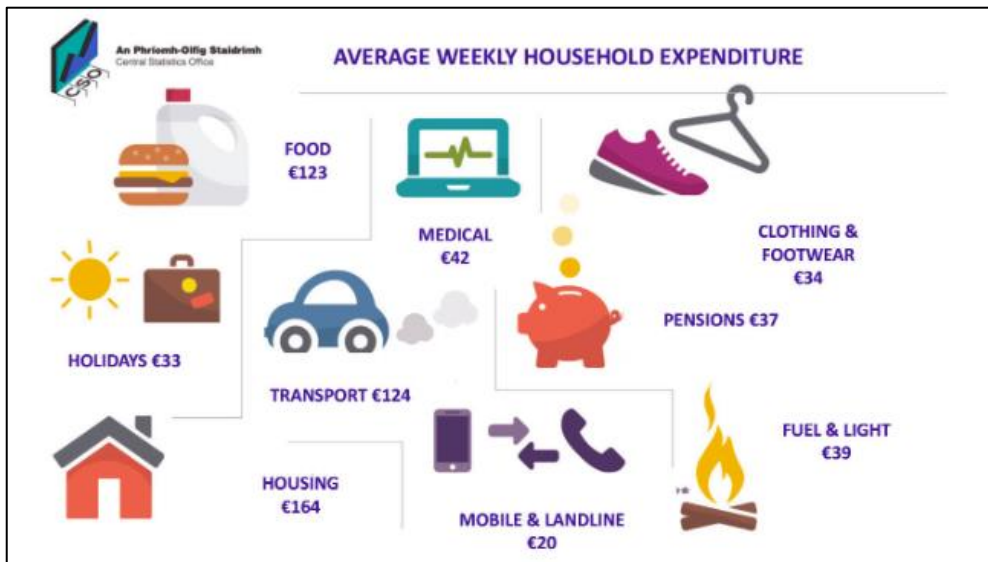


- (i) Calculate the difference between Joan's income and expenditure. State if it's a surplus or deficit.

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- (ii) What advice would you give Joan based on your answer.

2019 - Sample Paper SEC - Question 1



Using the above graphic identify one example each of fixed, irregular and discretionary expenditure -

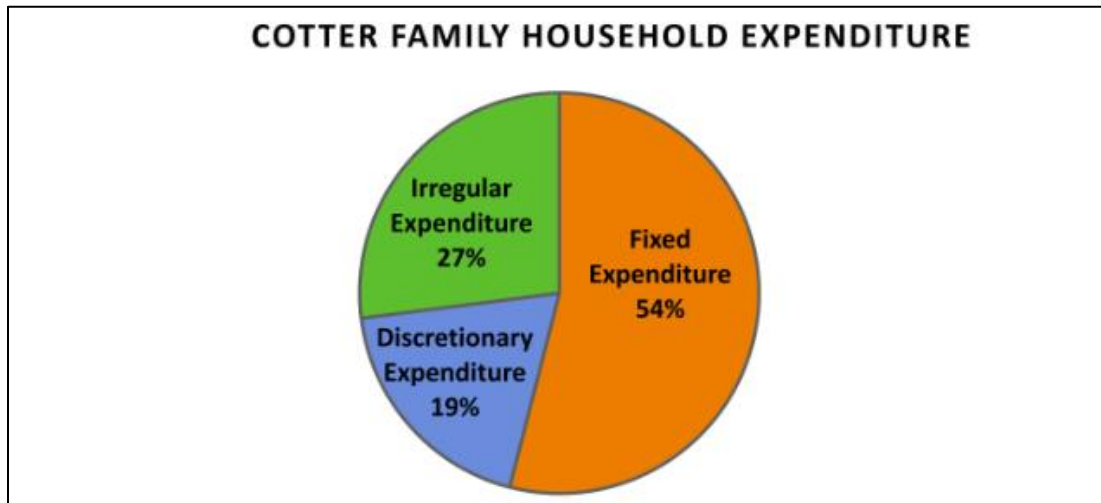
Write your answer below.

Fixed Expenditure	Irregular Expenditure	Discretionary Expenditure

SUGGESTED SOLUTION

2022 - Question 1

The graph below shows the Cotter family household expenditure -



- (i) Which type of expenditure had the highest percentage of total expenditure in the cotter household?

Fixed Expenditure

- (ii) Give one example of each type of expenditure below -

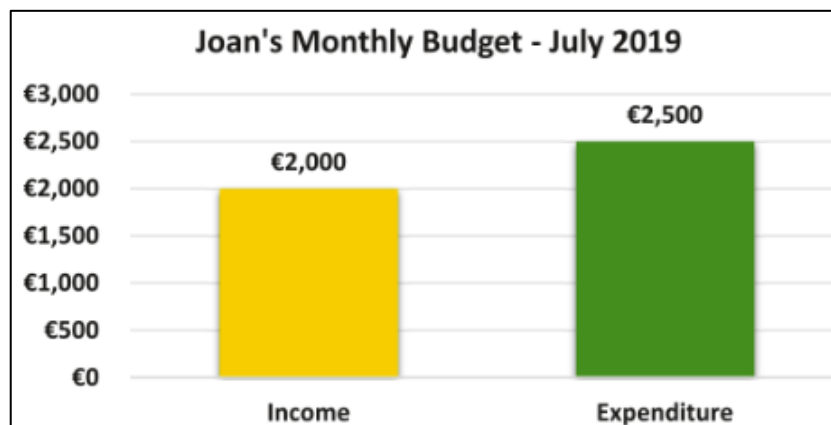
Fixed Expenditure: *Mortgage, Rent*

Irregular Expenditure: *Groceries, Light and Heat, Clothing*

Discretionary Expenditure: *Holiday*

2019 - Question 1

The graph below shows Joan Murphy's monthly budget -



- (i) Calculate the difference between Joan's income and expenditure. State if it's a surplus or deficit.

€2,000 - €2,500 = (€500). The difference is (€500) and it is a deficit

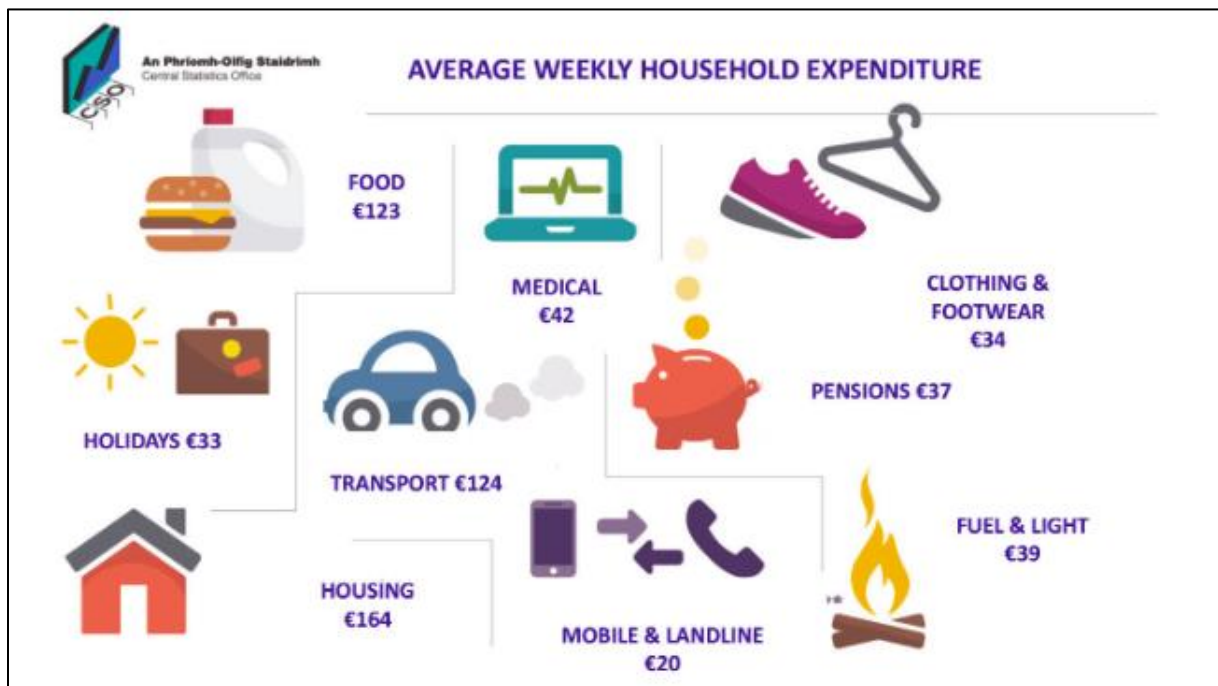
- (ii) What advice would you give Joan based on your answer.

Decrease expenditure - Joan could cut her discretionary expenditure for example holidays

Increase income - Joan could do some overtime to manage her income better

Shop around - Joan could shop around to get the best deal for example Switch .ie

2019 - Sample Paper SEC - Question 1



Using the above graphic identify one example each of fixed, irregular and discretionary expenditure - Write your answer below.

Fixed Expenditure	Irregular Expenditure	Discretionary Expenditure
Housing €164	Food €123	Holiday €33
Pension €37	Mobile and Landline €20	Clothing and footwear €34
Medical €42	Fuel and Lighting €39	