

“Janna, you really did a great job setting up a budget on a spreadsheet! You must have learned a lot in your computer class at college.” Janna pointed out that she had a monthly surplus, and she asked if she could rent the apartment. Her parents replied that she still had many things to consider. “Janna, you must pay taxes on the income you receive — 15% federal income tax, 4% state tax, and about 8% for FICA.”

“What’s FICA?” replied Janna. “It’s for Social Security and Medicare,” her mom explained. Janna said, “I’m not going to retire for a long time. I don’t need to pay that now.” Mom pointed out that the law requires that Janna pay her share of Social Security and Medicare. Janna got out her calculator and said, “Well, taxes reduce my income by \$87.75, but my surplus is much more, so I’ll be okay. May I call my friends and tell them the good news?”

Dad said, “Not quite yet. I don’t think you’ve considered all your expenses. You will probably share a phone and the basic monthly service is \$40 that you can share with your friends. You also spend about \$25 a month on your long distance phone calls. In the university dorm, your room included access to the Internet and cable TV. In an apartment, you’d have to pay for those things. Internet access would cost about \$20 a month, and cable TV would cost about \$30 a month for basic service. You could divide those expenses among your friends.”

Janna exclaimed, “That’s not so bad. That’s only \$5 a month for Internet, \$10 a month for a phone, \$7.50 a month for cable TV when we share expenses. That’s the great thing about sharing an apartment. You can share expenses. Of course, I don’t think my friends will want to share my long distance bill from calling my sister at her university in Canada. Let’s see another \$25 and \$22.50 gone. That still leaves a surplus. We’re going to have such a great time in our. . . .”

“Just a minute, Janna,” Dad said. Last year, you spent about \$50 a month on gasoline, and you had a lot of school and entertainment expenses. According to your credit card statements, that was about \$100 a month for notebooks, clothes, movies, and so on. You spent about \$125 a month on eating out!”

“Wait a minute!” exclaimed Janna. “I work in the summer and save \$3000 for spending money during the school year. I forgot to include that in my income. Every month, I can withdraw one-ninth of my savings so that I have extra income every month. I’m not worried. This is all going to work out yet. Just wait and see. I’ll go back and revise my budget.”

**A New Budget**

Look at the following spreadsheet. You must enter some new categories (that is, rows). Now, Janna has another income source, some income deductions, and several new expenses.

	A	B	C	D	E	F	G	H	I	J
1	ITEM	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY
2	<i>INCOME ITEMS</i>									
3	Allowance	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00
4	Part-time work	325.00	325.00	325.00	325.00	325.00	325.00	325.00	325.00	325.00
5	Savings withdrawal									
6	INCOME									
7										
8	<i>DEDUCTIONS</i>									
9	Federal income tax (15%)									
10	State income tax (4%)									
11	FICA (8%)									
12	TOTAL DEDUCTIONS									
13										
14	NET INCOME									
15										
16	<i>FIXED EXPENSE ITEMS</i>									
17	Rent	350.00								
18	Basic phone service									
19	Cable television									
20	Internet access									
21	FIXED EXPENSES									
22										
23	<i>VARIABLE EXPENSE ITEMS</i>									
24	Groceries/personal items	216.50								
25	Long distance phone calls									
26	Eating out									
27	Gasoline									
28	School/entertainment									
29	VARIABLE EXPENSES									
30										
31	TOTAL EXPENSES									
32										
33	SURPLUS									

NOTE: You now have more than one fixed and variable expense, so you must tell the computer to add the expenses. Go to B21 (which probably says 350.00). Type =B17+B18+B19+B20. Be sure to put a similar equation in B29 for variable expenses. Copy B21 to C21 through J21. Then use the same process for copying B29.