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Chapter 6: Budgeting—Checkpoint Solutions

Checkpoint 6.1

1. What is Lian's mean monthly spending for gasoline during this three-month period?

   Answer: $139

2. What is Lian's mean monthly spending for entertainment during this three-month period?

   Answer: $114.33

3. If Mason changes to a mobile phone plan that only costs $39.50 per month, by what amount could he increase his savings?

   Answer: $18.50

4. Prior to sharing an apartment, Mason spent $600 per month in rent. Esteban spent $635 per month. By sharing an apartment, how much are Mason and Esteban each saving in rent per month?

   Answer: Mason saves $225 per month, and Esteban saves $260.

5. Prior to sharing an apartment, Mason spent $135 per month on utilities. Esteban spent $140 per month in utilities. By sharing an apartment, how much are Mason and Esteban each saving in utilities per month?

   Answer: Mason saves $57.50 per month, and Esteban saves $62.50.

Checkpoint 6.2

1. Bradley examined his bank account. He determined that his cash inflows are $3,018.95, and his cash outflows are $2,716.17. What is Bradley's net cash flow?

   Answer: $302.78

2. Quintessa studied her monthly bank account. She determined that her cash inflows are $4,516.17, and her cash outflows are $4,985.03. What is Quintessa's net cash flow?

   Answer: −$468.86

3. Santiago's bank statement for February included the following checking account summary. What is Santiago's net cash flow for February?

   Answer: −$437.62

4. Santiago's bank statement for March included the following checking account summary. What is Santiago's net cash flow for March?

   Answer: $810.45

5. Sani's cash flow statement for last year is shown as follows. Use this statement to calculate Sani's total inflow, total fixed expenses, total variable expenses, total outflow, and net cash flow.

Checkpoint 6.3

1. Phoebe wants to save for a down payment on a new house. She currently has $5,500 in savings and needs to save a total of $20,000. She plans to save $725 each month for her down payment. How long will it take Phoebe to reach her goal?

   Answer: 20 months

2. Amin and Tori have decided that they need to save $22,000 for their daughter's college fund. They have 12 years before they will need the money. How much will they need to save each month to reach their goal?

   Answer: $152.78

3. Due to an increase in gasoline costs, Autumn needs to adjust her gasoline and oil budget to $110 per month. She wants to adjust her entertainment budget to reflect that change. What is Autumn's new entertainment budget?

   Answer: $126

4. Autumn also learned that next month her rent will increase to $925. She would like to split that budget adjustment between miscellaneous and charitable giving. What will be the new budget amounts for those two categories?

   Answer: new miscellaneous budget = $52.50
                  new charitable giving budget = $102.50

5. In 2008, a gallon of whole milk cost $2.65. In 2011, a gallon of whole milk cost $3.39. What is the overall rate of inflation for this three-year period? What is the approximate average annual rate of inflation?

Answer: overall inflation rate = 27.9%

average annual inflation rate = 9.3% per year