

# lesson one quiz: the art of budgeting answer key



## true-false

1. f The budgeting process starts with monitoring current spending.
2. f Most short-term goals are based on activities over the next two or three years.
3. t A common long-term goal may involve saving for college for parents of a new-born child.
4. t Rent is considered a fixed expense.
5. f Flexible expenses stay about the same each month.

## multiple choice

6. C The final phase of the budgeting process is to:
  - A. set personal and financial goals.
  - B. compare your budget to what you have actually spent.
  - C. review financial progress.
  - D. monitor current spending patterns.
7. B An example of a long-term goal would be:
  - A. an annual vacation.
  - B. saving for retirement.
  - C. buying a used car.
  - D. completing college within the next six months.
8. D A clearly written financial goal would be:
  - A. "To save money for college for the next five years"
  - B. "To pay off credit card bills by 2001"
  - C. "To invest in an international mutual fund for retirement"
  - D. "To establish an emergency fund of \$4,000 in 18 months"
9. B An example of a fixed expense is:
  - A. clothing.
  - B. auto insurance.
  - C. an electric bill.
  - D. educational expenses.
10. D \_\_\_\_\_ is commonly considered a flexible expense.
  - A. Rent
  - B. A mortgage payment
  - C. Home insurance
  - D. Entertainment

## case application

Each month Mary and Brad Johnson have lengthy discussions about their household spending. They do not understand why they are continually short of money even though they both have good salaries. What actions might be taken to avoid personal and financial difficulties?

*The Johnsons should create a specific spending plan based on their income, needs, and wants. They should decide on various financial goals for their current and future needs. They should regularly revise their budget based on changing situations in their lives.*