## 27 Lecture - MGT111

### **Important Subjective**

#### 1. What is a budget?

Answer: A budget is a financial plan that outlines expected income and expenses for a specific period.

#### 2. Why is creating a budget important?

Answer: Creating a budget is important because it helps individuals and businesses manage their finances effectively by providing a roadmap to track income and expenses, prioritize spending, and achieve financial goals.

#### 3. What are the steps involved in creating a budget?

Answer: The steps involved in creating a budget are: (1) identifying sources of income, (2) listing all expenses, (3) prioritizing expenses, (4) setting financial goals, (5) creating a plan for saving and investing, and (6) monitoring and adjusting the budget regularly.

#### 4. What is the difference between fixed and variable expenses?

Answer: Fixed expenses are expenses that remain the same from month to month, while variable expenses are expenses that fluctuate based on usage or need.

#### 5. What is an emergency fund?

Answer: An emergency fund is a savings account set aside to cover unexpected expenses or emergencies, such as medical bills or a sudden job loss.

# 6. What is the recommended percentage of income that should be allocated for housing expenses?

Answer: The recommended percentage of income that should be allocated for housing expenses is 20-30%.

#### 7. How often should a budget be reviewed and adjusted?

Answer: A budget should be reviewed and adjusted regularly, ideally on a monthly basis.

#### 8. What are some benefits of having a budget?

Answer: Some benefits of having a budget include better financial management, increased savings, reduced debt, improved credit score, and increased financial security.

#### 9. What are some common budgeting mistakes to avoid?

Answer: Common budgeting mistakes to avoid include failing to track expenses, underestimating expenses, not setting realistic financial goals, and not making adjustments when necessary.

#### 10. What is the purpose of a budget review?

Answer: The purpose of a budget review is to evaluate the effectiveness of a budget, identify areas where adjustments can be made, and ensure that financial goals are being met.