

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.