

PERSONAL BUDGET PLANNER

James has had an expensive Christmas season and has struggled badly with his personal finances. He wishes to budget more wisely in the forthcoming year and has decided to ask for your advice in the creation of a personal budget planner using a spreadsheet. He has provided you with a detailed breakdown of his estimated annual income and expenditure.

- On 1st January James' bank account was overdrawn by £784. If he is overdrawn on the last day of any month the bank charge him interest at a rate of 4% per month based upon the this month end balance. The interest is withdrawn on the 3rd day of the following month. The account pays interest monthly on positive balances on the 5th of each month at an interest rate of 3% based upon the balance at the end of the previous month.
- James is employed as a solicitor and after deductions for PAYE and NI is paid a regular monthly salary of £2055.
- He supplements his income by working a few evenings as a barman at his local golf club. This earns him an average additional amount, after tax, of £180 per month.
- He owns a small number of shares in British Telecom plc and, upon past experience, the average dividend received by him is £95. This dividend tends to be received in October.
- James has recently purchased an apartment and his monthly mortgage payment amounts to £560. He pays his home insurance bill annually in March and estimates that the forthcoming payment will amount to £225.
- The apartment comes with a small loft garden which James wishes to renovate as it has fallen into a bad state of repair. He wishes to install a decking area in April which he estimates will cost him £240. Following this he plans that in May he will purchase a number of plants from his local garden centre at an estimated cost of £50. The purchase of outside seating and a barbeque in June will cost him an additional £225.

- He pays the gas and electricity bills on the apartment monthly by direct debit. These are £25 and £15 per month respectively. Water rates are paid at the end of June and December and are estimated at £125 per 6 month period. Council tax is also paid by direct debit for 10 months of the year at an amount of £85 per month. No direct debits are taken for the months of February and March.
- He is a subscriber to Virgin TV and Broadband. He has the XL TV package with added on Sky Sports. The total average monthly payment to Virgin is £65. He also pays his TV licence by direct debit. The annual fee is £125 and this is withdrawn from his account in January each year
- He is also a subscriber to Men's Health magazine and pays an annual subscription fee of £33 which is withdrawn in July each year.
- The payment for his landline is included within the monthly payment to Virgin. However, he also has an iPhone contract with O2. This is an amount of £35 per month and is paid by direct debit.
- James estimates that his weekly shopping bill for food and drink amounts to £45. He also likes to eat out once a month and estimates that his average restaurant bill amounts to £25. He regularly enjoys a few nights out drinking with friends and estimates that his bar bills total an amount of £40 per week. He also goes to the cinema once a fortnight at a cost of £7 per ticket. He is also a subscriber to LoveFilm who supply him unlimited DVDs at a cost of £10 per month.
- As a busy single professional his spare time his social life is often extremely busy. Thus James employs a cleaner, who also does his ironing, at what he believes is a very well spent £10 per week.
- James recently purchased a new BMW convertible which he pays for under a financing agreement with a monthly payment of £85. His petrol costs amount to £35 per week. He pays for the car insurance annually in September. He estimates that this year's insurance bill will be £450. He is extremely proud of his new vehicle and plans to have it professionally valetted each month at £15 each time.
- James is very conscious of his health and is a member of and frequent visitor to a private gym. His gym membership costs him £50 per month and he estimates that he also spends approximately £15 per month on sports supplements. He is a member of a local football team for which

he pays an annual subscription to the club of £80 in August. He plays football every weekend (apart from a 2 week break in December) from the start of August to the end of April and pays a match fee to the club of £4 per game. He has private health insurance with BUPA which he pays for by monthly direct debit at a cost of £20.

- James is an avid follower of fashion and is aware that he has a slight vice for purchasing too many clothes. He plans to cut down on this element of expenditure but estimates that he will still spend £50 per month on clothing. He has his haircut every 2 weeks with his regular barber who charges £25 each time.
- James does not purchase CDs anymore but downloads all his music. He has a subscription with an online provider at a cost of £10 per month which permits him unlimited downloads. However he still likes to purchase books, but usually only prior to going on holiday. He estimates that he will spend £40 on Amazon for books in June.
- James is planning a trip to California in July. He estimates that the airfare will be £600 which he plans to book and pay for in March. He plans to rent an apartment in Santa Cruz which will be paid for in April at a cost of £400. He plans to obtain his spending money for the trip at the start of July and estimates that £400 should cover the 2 week holiday.
- James has a savings account although this is currently empty. He wishes to make a regular transfer of £200 into this savings account.

REQUIREMENT

Prepare a personal budget planner (cash flow forecast) for James for the forthcoming year. This should show his budgeted income and expenditure clearly categorised. It should also clearly show the net monthly income/ expenditure and the opening and closing balance on James' bank account.

Work to the nearest £. Assume 4 weeks in a calendar month

