Unit 2 Quiz — Budgeting

Teen Money Independence · Lessons 2.1 – 2.5

Name:

Date:

PART 1 — MULTIPLE CHOICE (2 POINTS EACH)

Circle the best answer.

1. Under the 50/30/20 rule, which category does a monthly phone bill belong to?

A. Wants (30%)

B. Savings (20%)

C. Needs (50%)

D. It depends on the phone model

2. A "sinking fund" is best described as:

A. An emergency fund kept in a checking account

B. Money set aside each month for a predictable future expense

C. A penalty charged when a bank account goes negative

D. An investment account for long-term goals

3. Lucy's take-home pay is $1,600/month. Her rent is $950. What percentage of her take-home goes to rent?

A. About 45%

B. About 50%

C. About 59%

D. About 63%

4. Which of the following is a variable expense?

A. Monthly car insurance premium

B. Rent payment

C. Grocery spending

D. Streaming subscription

5. In the group scenario, Joseph tracked his spending for the first time and realized he spent $340 in one month on food — nearly double his budget. This is an example of:

A. A fixed expense that is too high

B. A variable expense that exceeded its budget category

C. A sinking fund running out

D. An opportunity cost calculation

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6. Alex has $200 in allowance but no bank account. She divides her cash into four envelopes: Savings $40, Food $60, Fun $70, Clothing $30. Two weeks into the month her Fun envelope is empty. Which of the following best describes what the envelope method requires her to do?

A. Borrow from next month's allowance to cover the difference

B. Stop spending on fun for the rest of the month, or consciously transfer from another envelope

C. Move money digitally between accounts to cover the shortfall

D. Open a bank account to access more funds

PART 2 — SHORT ANSWER (5 POINTS EACH)

👥 The group is each building their first real budget.
Lucy uses the 50/30/20 rule and automates her savings transfer on payday.
Joseph discovers he has been overspending on food without realizing it.
Alex builds his budget around variable income from his lawn care business.

Use the scenario above to answer Question 2.

1. Explain the difference between a fixed expense and a variable expense. Give one real example of each from a typical teenager's life.

2. Why is it important to build a budget based on net pay rather than gross pay? What could go wrong if someone used gross pay instead?

3. Explain why the envelope method is especially useful for teens who don't have bank accounts. What is one limitation of the envelope method that would make a different budgeting system better as a person gets older?

PART 3 — MATH PROBLEM (10 POINTS)

1. Lucy's monthly take-home pay is $1,800. Using the 50/30/20 rule, calculate her target amounts for (a) needs, (b) wants, and (c) savings. If her rent is $820 and her phone bill is $55, how much of her needs budget is left for other expenses?

Show your work:

SCORE

Multiple Choice	Short Answer	Math	Total
/10	/10	/10	/30

Grader notes: