

4

Income Management

4.1 Introduction

For the first time, when Meena got her pocket money, her mind was set to thinking. She at once began to think of her requirements for the month. Moreover, she wanted to enjoy an ice-cream with her money.

Meena realised that her money was not enough to meet her requirements, as well as, provide her with an ice-cream. The problem now facing Meena was how to use the money, so that she could satisfy her needs and her desire for an ice-cream.

You may have also faced a similar situation in your life. You must have also wished that your money could 'stretch' to satisfy all that you needed and desired. Wishing is not the solution to such a problem. The solution lies in the planned utilisation of money.

In this lesson, you will learn how to plan out the use of your money.

4.2 Objectives

After reading this lesson, you will be able to do the following :

- define the term 'family income' and discuss its components ;
- define expenditure and follow rules to plan expenditure;
- define income management and discuss how income can be managed;
- maintain a record of income and expenditure;
- state the advantages of maintaining a record;
- discuss the ways of supplementing family income.

4.3 Income

Income, as the name suggests, means anything which comes into the family and which is used to satisfy the needs of its members. What comes into the family? Yes, money. Besides money, there are also goods and services, which may flow into the family and used for the same end as money. Thus you can define income as follows:

Income for a family comprises money, goods and services, that are available to the family, to fulfill its needs and desires.

Let us learn more about these.

Money

Money is the hard cash you get in hand. It is generally called Money Income. It may be obtained from various sources such as :

- from your place of work e.g. service, business
- from rent, if you have given full or part of your house on rent
- from interest, you get by putting your money in bank
- from household production e.g. make pickles, toys, garments, etc, which you may sell.

Goods and Services

Your family may also enjoy various goods and services such as follows :

- the house you stay in, may have been provided free of cost by the Government.
- your car may have been provided by your company
- your kitchen garden may give you a good produce of vegetable
- you utilize your energy to do household chores, instead of employing paid help.
- you stitch clothes for your family, instead of getting them tailored.
- you give regular care to your equipment, so that it provides you better service. You, thus avoid bills on repair.

The goods and services enjoyed by your family are collectively known as Real Income.

$$\text{Family Income} = \text{Money Income} + \text{Real Income}$$

Needs

Needs are deficiencies which must be fulfilled. You need food to live and keep healthy. You need clothing and shelter to protect your body.

Food, clothing and housing are therefore your basic needs. They are the needs which help you to survive. There are other needs which make your life easy. For example, to move from one place to another easily, you will require a bus, a cycle, a scooter or a car. But if you have none of these you will walk. Bus, cycle, scooter or car make it easy for you to commute. Make a list of some other needs which help to make your living easier.

Desires

When all your needs are fulfilled you begin to have desires. What you desire is not really needed to carry on life, but still you wish to have it. For example, you may desire to have some wall hangings for your house, or you may like to have a three bedroom house in a particular locality.

You may say, needs are those requirements which are needed to make life easy while desires are things which you feel happy to possess. With money, you can buy all that is required to satisfy your needs and desires. Your need of fan and your desire to have a carpet — both can be bought with money. Your needs and desires can also be fulfilled by the goods and services available to your family. Your need of a house may be fulfilled by the company in which you work. Your desire to have a well-tailored dress may be fulfilled by the use of your own or your sister's skill.

INTEXT QUESTIONS 4.1

1. State whether the following are sources of money income or real income.

- | | |
|--|---------|
| (a) Making pickles for your family | (.....) |
| (b) Growing vegetables and selling them | (.....) |
| (c) Baking cakes on order | (.....) |
| (d) Stitching your clothes | (.....) |
| (e) Students coming to you for tuition | (.....) |
| (f) Cleaning your car everyday | (.....) |
| (g) Getting interest from the money deposited in bank | (.....) |
| (h) Defrosting your refrigerator regularly | (.....) |
| (i) Attending to electrical repairs of your house yourself | (.....) |
| (j) Being provided with a scooter by your company | (.....) |

2. Read the following paragraph and then answer questions (a) and (b)

Mr. Lal and Mr. Anand both get a salary of Rs. 5000 each. Mr. Lal's office provides him with free lunch as well as petrol expenses for his scooter. Mr. Anand's office has provided him a free living quarter, near the office.

- (a) Which of the two men are enjoying a higher income ?
 (b) Give the reason for your answer.

4.4 Expenditure

Expenditure is the money spent on buying different goods and services, required by the family.

Goods

You need various things for your daily living. For example, you need food items, pots and pans to cook the food; soap to wash dirty clothes and an iron to iron your clothes. If you look around in your house, you will see various goods, each one of which is useful to you.

Make a list of goods you have in your bathroom.

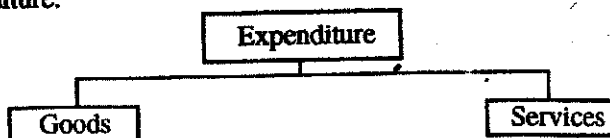
Services

Services are utilities, which make your living easy. For example, you want to talk to a friend living far off. You need not visit her. You can telephone her, sitting at home. Besides telephone service, what are the other services you enjoy in your house? Yes, electricity and water service. If you want to go out to work you have service of public transport available to you. If you ever fall sick you can go to a hospital.

Look around your locality and see what services it offers you.

Expenditure

These goods and services have to be paid for. The money which you spend on them is known as Expenditure.

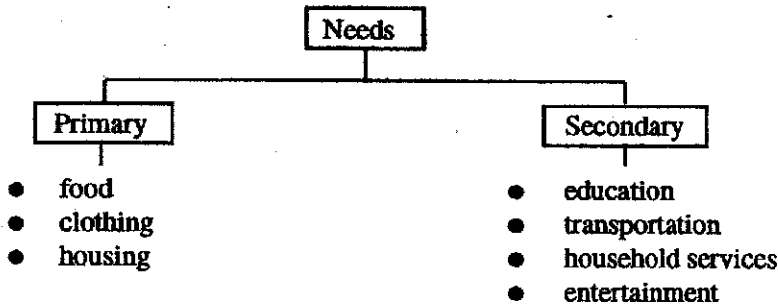


Spending Plan

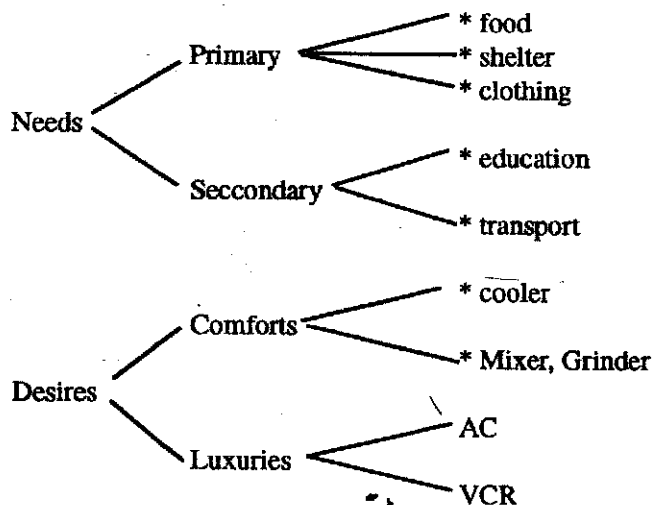
A Spending Plan tells you how to spend your money judiciously.

The money income which you get in hand, has to be divided into various areas of expenditure such as food, clothing, housing, education, transportation, household services and entertainment.

As you have learnt earlier food, clothing and housing are your basic or primary needs. The rest of the above mentioned needs are your secondary needs. Obviously, while spending money, you will first consider your primary needs.



- The way you divide your money for spending will depend upon the importance you give to the various areas of expenditure. For example, if you give more importance to clothes than food, you will keep aside more money for it. You may spend less money on education, if you feel it is not very important for your family.
- Make sure that the amount of money you keep for each area is sufficient to cover the expenses of that area for the full month. For example, if you have kept aside Rs. 1000 for food it should suffice you till the end of the month.
- If you have money left over, after your primary and secondary needs are met, you can think of fulfilling some desires. Desires will first include some comforts for your life. If money is still left over, it may include some luxuries. Comforts are more easily affordable than luxuries. The following example will help you to understand the above. Once your need for a house is fulfilled, you will want to buy things which will make your house comfortable. You may buy a desert cooler or a fan. When most of your comforts are met you may then think of luxury for your house. You may now buy an air-conditioner. Thus you can summarise the order of satisfying needs and desires as follows :



While your present needs and desires are being fulfilled, you also need to think of your future needs. There may be some needs in the future, the fulfilment of which, requires a large sum of money. For example, a marriage. Your regular income at that time may not be enough to fulfil that need. What would you do to help yourself in a situation like this? Yes, you can keep aside, some part of money income for such future needs. This is known as saving. To be able to save, ensure that, at all times your total expenditure is less than your total income.

$$\text{Saving} = \text{Income} - \text{Expenditure}$$

INTEXT QUESTION 4.2

- (1) Mark a tick (✓) on what you should spend first :
- Going out for a holiday or buying a refrigerator.
 - Buying good books for your children or buying nutritious food for your children.
 - Buying a mixer grinder or replacing ordinary curtains with fancy ones.
 - Buying enough warm clothes for winter or buying a vacuum cleaner.
 - Buying your own house or arranging for a holiday abroad.

4.5 Income Management

Income management is the planned and controlled use of the family income.

You have read about the various areas of expenditure in a family which have to be met with your money income. Sometimes, it is seen, that the income is over before all the needs for the month are met. What would you do to avoid such a situation in your life? Yes, you would try to spend your income in a way that it is able to provide you as much as possible. This is known as Management of Income.

Management of Income involves

- Planning the use of the family income. You have already learnt about this in the spending plan of your income. Make sure you keep away a part of your income as savings, before you plan your expenditure.
- Controlling the use of the family income. You can keep a check on your expenditure in two ways :
 - Make sure that money is not wasted. For example, buy just the quantity that is required by the family; buy from co-operative stores or wholesale markets where things are cheaper.
 - Make use of your time, energy, skill and knowledge to save money. What is this known as? Yes, Real Income. If the use of your income is well planned and controlled, your needs and some of your desires will be fulfilled.

There is no readymade plan of using money. Families having identical incomes will not necessarily have identical needs and desires. For example, two families, each earning Rs.5000 per month will not be having the same needs and desires because one may be staying in a village and the other in a city. Their management of income will therefore be different i.e. based on their own desires and needs.

INTEXT QUESTION 43

State whether the following are true (T) or false (F)

1. Management of income is important only when you have a large income.
2. When you have a small income it is managed by itself.
3. When needs are too many income management is out of question.
4. When desires are too many income management is useful.
5. First step in income management is to make assessment of your income.
6. Income management involves planning and controlling expenditure.

4.6 Maintaining a Record of Income and Expenditure

Now that you have made a spending plan for your family, it is important to ensure that the plan is carried out carefully. In order to do this, it is necessary for you to have some control over the spending of money.

One simple way to have control could be to maintain a record of the income and daily expenditure of your family.

A sample of the record is given below:

Income and Expenditure Record

Date	Income	Item Purchased	Quantity	Rate	Amount Spent in Rs.	Balance
1.6.96	5000	Rice	15 kg	Rs 10/kg	150	4522
		Atta	20 kg	Rs 10/kg	200	
		Sugar	5 kg	Rs 15/kg	75	
		Butter	1/2 kg	Rs 106/kg	53	
					478	
2.6.96		Rajmah	3 kg	Rs 30/kg	90	3997
		Oil	5 Litres	Rs 52/L.	260	
		Soap pd.	1/2 kg.	Rs 110/kg	55	
		Dress pc.	2 m.	Rs 60/m	120	
					525	
3.6.96		Ghee	2 kg	Rs 60/kg	120	

You can use a notebook or a register to write this day-to-day account. Details like quantity, rate and the amount spent on the items purchased can be recorded in separate columns. This income column is important in a family where income flow is irregular or where there may be 2-3 sources of income. The balance column, if filled in daily, will tell you how much money is left at the end of each day. To get your balance for the day, add all the expenses of the day and subtract the total from the balance of the previous day. For example, in the table given the total amount spent on 1.6.96 is Rs. 478.

Income – total expenditure of the first day, or Rs 5000 – 478 = Rs 4522

The total amount spent on the second day is Rs 525. Your balance at the end of the second day would be the previous balance — total expenditure on the second day,

or Rs 4522 – 525 = Rs 3997

You will observe that the figure in the balance column will decrease day by day. How do you feel, when the money in your pocket keeps decreasing? Yes, you are reminded to put a check on any unnecessary expenses.

Advantages of Maintaining a Record

Maintaining a record of expenditure helps you in the following ways :

- Study your expenses — you know exactly how much is being spent and on what.
- Check unnecessary spending — A look at the balance figure will remind you to spend only on what is really needed by your family.
- Compare the expenditures of different months — if your expenses for this month are higher than last month you will know exactly where you have spent more.
- Plan for the future — regular maintenance of accounts makes it easier for you to know how much money would be required for the various items in future.
- Be well informed of market trends — the rate column shows you when and how prices rise in the market.

INTEXT QUESTION 4.4

1. State whether the following are True (T) or False (F).
 - (a) Writing day-to-day accounts is tedious and should be avoided.
 - (b) By writing accounts, you feel sure your important needs will be met first.
 - (c) Temptation to buy from 'sales' becomes less when you write your accounts.
 - (d) Accounts are written by people who are never sure of their expenses.
 - (e) Writing accounts helps you to understand the market trend.
 - (f) Writing accounts gives you satisfaction that your income is being spent wisely.
 - (g) Only stingy people write accounts.
2. Mr. Singh's salary is Rs 10,000. Calculate his balance on the 10th of the month. If his total expenditures for the 9 days are Rs 2156, Rs 1099, Rs 756, Rs 644, Rs 500, Rs 300, Rs 402, Rs 650 and Rs 806 respectively.

Suggested Activity

Keep a record of income and expenditure of you family for a month.

4.7 Ways of Supplementing Income

If you belong to a family, where the regular income is not enough to cover all the expenses of a family, what would you do? Obviously, you would try to add to your regular income, somehow.

Adding to the income means supplementing family income.

How do you do it?

Some of the ways of supplementing income are as follows:

- Adopt any income generating activity: Women sometimes make pickles and jams at home and then sell these. Using their skill, time and energy while at home, they are

earning some money to provide some income. Some women stitch clothes on order, some knit, others grow vegetables in the garden or make stuffed toys or take tuitions. Any activity which helps in bringing in some extra money is called income generating activity.

- Take a part time job — in your neighbourhood, you may have seen some boys, girls or women taking up jobs in homes or shops for two hours/day or half a day only. They may be baby sitting/maintaining accounts or doing any other work. Such jobs for limited hours/time are called part time jobs and bring lesser amount of money as compared to the regular full time jobs. But such jobs are spare time jobs and are good for supplementing family income.
- Invest savings to earn interest : If you have money, invest it. By investing, you not only keep your money safe and away from temptation of spending but also earn interest on it which can be added to your monthly income.
- Make wise use of available resources: If you have a big house, a part of it can be given on rent. Your tractor may not be needed by you all the time. You could let another farmer use it, on payment.

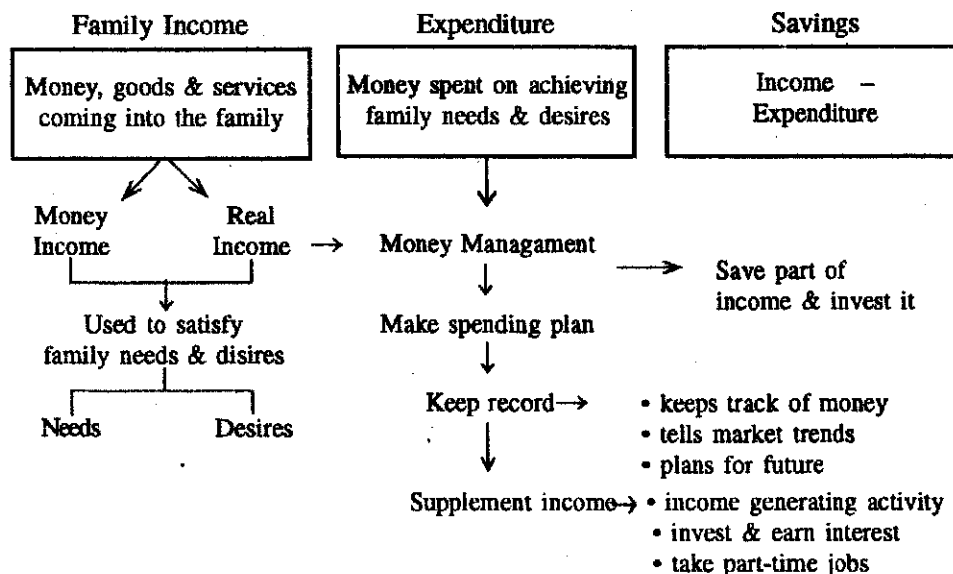
Suggested Activity

If you are talented in cooking you can use your skill to earn some extra money. Suggest at least three ways in which you can use your talent for supplementing your family income.

INTEXT QUESTIONS 4.5

1. State whether the following statements are True (T) or False (F).
 - (a) Giving an unused part of your house on rent is a good way of earning money.
 - (b) Engage help for doing household chores if you want to take up a part time job.
 - (c) If you have a full time job getting involved in income generating activity is futile.
 - (d) An income generating activity is good for supplementing family income.
 - (e) Investment in a post office does not help in supplementing family income.

4.8 What You Have Learnt



4.9 TERMINAL EXERCISES

1. Define income. What is family income made of?
2. Match the items in column I with those in column II.

I	II
(i) Supplementing income	(a) is a form of real income
(ii) Savings	(b) can be done in one's spare time
(iii) Keeping accounts	(c) tells you where your money is being spent
(iv) Making use of your talent	(d) looks after your future needs.
(v) Managing your income	(e) helps to fulfill all your desires.
	(f) is planning and controlling the use of the income.

4.10 ANSWERS TO INTEXT QUESTIONS

- (4.1) (1) (a) Real income (f) Real income
 (b) Money income (g) Money income
 (c) Money income (h) Real income
 (d) Real income (i) Real income
 (c) Money income (d) Real income
- (2) (a) Mr Anand enjoys a higher income.
 (b) because a living quarter requires much more expense than food. Moreover he has no conveyance charges.
- (4.2) (1) (a) Buying a refrigerator
 (b) Buying nutritious food for children
 (c) Buying a mixer-grinder
 (d) Buying enough warm clothes for winter
 (e) Buying your own house
- (4.3) 1.F 2.F 3.F 4.T 5.T 6.T
- (4.4) (1) (a) False (b) True (c) True (d) False (e) True (f) True (g) False
 (2) (a) Rs 2687 is the balance on the 10th day
- (4.5) (1) (a) Conduct cookery glass
 (b) Make ready products and sell
 (c) Take pastry/cake orders