

29. HOUSEHOLD ACCOUNT

The person meets the needs of his family through family income, for which he has to spend his income. Each person has his own separate income and his daily needs are also different. Every person, according to his own income, determines the expenditure on his own needs, how and where he declares his income, is called family income, which means that it is a part of the income earned by a family person who has spent a certain amount of time on the goods and services to meet the family needs.

According to Kanti Pandey 'the amount of money that the family acquires from various economic efforts, and how much it spends is called expenditure.

Family expenditure is divided into two parts-

1. **Consumption expenditure :** The part of the income that is spent on various essential materials for consumption, is called consumption expenditure. Every family needs to spend a certain amount of their income per month on food, clothes, etc. Essentially, most of the income expenditure is on the household activities.
2. **Saving :** The amount of money left after consumption is called savings. Savings are used for future needs, it is kept safe or money is used for investment .

Types of Consumption expenditure :

1. **Fixed expenditure :** Those which repeat for a certain period like house rent, school fees etc are covered under the fixed expenditure. Items of this expenditure are equal in a month.

2. **Semi-fixed expenditure :** It changes according to the income and circumstances, if income is high, then it can be spent on high-quality food and clothing. Similarly, the expenditure can be reduced if there is a low income. The items of comfort and luxury fall under this expense. The expenditure on festivals and special occasions also fall in this category.
3. **Other expenditure :** This expenditure is undefined. This expenditure depends on the income and desire of the person. such as entertainment, jewelery, clothes, etc. The person spends on these as per their income.

Need of family income and expenditure :

Families get satisfaction using the services on various items to meet their needs. Income and expenditure are a continuous process. Every person earns income according to his qualifications and work capacity and determines what he wants. Man is the core unit of economic activity and the consumption expenditure is the operator of economic activities.

Requirements are endless for which the family consumes. The speed and quantity generated also increases when the demand for consumption of goods increases. The person can get the goods he wants through the exchange of manufactured goods. Person generates his income by distribution of manufactured goods, and through exchange of income, he can consume the necessary items and thus the process of income and expenditure continues to run. On this basis, various economic activities are conducted in the world.

Income and expenditure details (budget) :

Every person wants to get the maximum satisfaction of using their income properly. It is important to make proper arrangements for managing the income utilization, for this, it should make a family budget before expenditure of income. In the family budget, a detailed account of the income and expenditure of the family is given and the special period of relationship occurs from one month or one year.

Definition :

In the words of Kanti Pandey, ‘the budget is said to have a detailed explanation of the estimated income expenditure before a certain period’. Prior to expenditure, to get maximum satisfaction from income, total estimated details should be prepared in various items according to income.

In simple terms, a detailed explanation of the income and expenditure of a family in a particular period is called a family budget.

Importance of budget :

It is important for every family to develop happiness, prosperous and satisfaction with the help of a family budget which is balancing the income and expenditure, the housewife can easily fulfill the requirements by meeting the income-expenditure. Therefore the budget is important for various reasons

- It is very helpful in prioritizing the budget requirements, it is useful to make the budget necessary to meet the necessity and non-urgent needs.
- It is the budget's role in expressing the economic goals of the family, whether short-term and long-term target budget can be ensured by distribution of current and future needs.
- The budget teaches individual's income and expenditure by giving knowledge regarding his limitations.
- Budget is the knowledge about the methods of a family's expenditure. It helps in increasing the income.
- A family should build a family budget to reinforce their financial condition.

Main points of budget :

The following points should be kept in mind while making a family budget for each family.

1. Every person making a budget must have complete knowledge of family's income, no member should disclose or increase their income.
2. Family should not spend more than the income received.
3. Must spend the first time on the most essential item.
4. The distribution of income should be done in such a way that the needs of all the family members are met.
5. There should be flexibility in the budget so that changes can be made, if necessary.

Types of family budget :

1. **Balanced budget :** It always keeps balance in family income and expenditure. This is called a simple budget. The estimated income and proposed expenditure are the same.
2. **Saving budget :** This type of budget is less than family income, so it is considered ideal budget. In this, the family gets financial security in the future.
3. **Deficit budget :** In this budget, the family's expenditure is higher than the income. Deficit is fulfilled by borrow or debt.

Different budget items :

- Food : Cereals, Spices, Ghee, Oil etc.
- Cloth : Wear clothes, household clothes, blanket etc.
- Housing: house rent, house building, washing, painting etc.
- Education: school fees, hostel expenses, copy books expenses etc.
- Health: Doctor's fees, medicines, hospital charges etc.
- Traffic : vehicle, petrol, bus fare etc.
- Entertainment: Walking, Sporting Goods, TV, Picnic etc.

- Other expenditure : extra expenses, Servant's salary, electricity expenses etc.
- Saving : Part of the income to be kept safe for the future

Method of making budget :

The family budget is made for one month. The person should include income from all income sources in monthly income to make a budget. Then the family

members should determine the different items, to spend. It should be determined according to the circumstances and type of situation. The fundamental principle of budgeting is that as much income will be reduced, more percentage will be spend on the individual the essential needs of life. On this theory, economist Ernest Angel has set a percentage of the level of living-fit spending on various needs of life, which we can understand easily by the table.

Table 29.1 Percentage income expenditure on different items

S. No.	Items of expenditure	Percent of expenditure		
		Lower class	Medium class	Higher class
1	Food	60	55	50
2	Cloth	18	18	18
3	Housing	12	12	12
4	Electricity and light	5	5	5
5	Education, Health & Entertainment	5	10	15

According to the above table, the expenditure on food consumption decreases with increase in income, But expenditure on education, health and entertainment increases.

Ideal budget :

Family expenditure is less than income and some part of the income is saved and kept for the future, called ideal budget. Both income and savings increase, there is no provision of savings in the theory of angle, whereas in today's era, savings are essential items.

Including savings by changing the angel theory, an estimated budget of three classes in which the number and age of the members belong same given in table.

The budget principle helps in creating a successful ideal budget by determining the percentage of household income expenditure on different items.

The budget presented is an approximate budget. The family's requirement changed according to the circumstances .

Household account :

Family members requirement be fulfilled by keeping this fact in mind household activities can be organised and run smoothly by maintaining the expenditure and record keeping of income. Housewife come to know whether expenditure is done according to budget by writting the account of expenditure. It is easy to maintain the balance between income of expenditure and also control the unwanted expenditures by record keeping. Thus, at the end of the month, savings are also made as per the budget. Household can be curtailed wisely and unnecessary expenditure is banned. The habit of accounting is beneficial for the present and the future.

Table 29.2 Estimated budget for families

S. No.	Expense items	Income groups (Rs./months)					
		Lower (5000)		Medium (20,000)		Higher (60,000)	
		expenditure	%	expenditure	%	expenditure	%
1	Food	300	60	10,000	50	27,000	45
2	Clothing	750	15	3000	15	9000	15
3	Housing	550	11	2200	11	6600	11
4	Electricity, light & water	250	5	1000	5	3000	5
5	Education	100	2	800	4	3000	5
6	Health	100	2	800	4	3000	5
7	Entertainment	50	1	800	4	3000	5
8	Saving	200	4	1400	7	5400	9
	Total	50000	100	20000	100	60000	100

Requirement of household account :

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|--|----------------------------------|
| 1. For money management. | 3. To stop unnecessary expenses. |
| 2. For the information of expenditure incurred at the time of each item. | 4. Thinking carefully to spend. |
| | 5. For achieving family goals |

Types of household accounts :

1. **Daily book:** - The details are to be calculated on a daily basis.

Table : 29.3 Daily book keeping

Date	Item	Quantity	Expenditure
01.09.2016			
02.09.2016			
03.09.2016			
04.09.2016			

2. **Weekly/monthly record book :**

Account details are calculated at the end of the week by adding details of the expenditure per day. Similarly, monthly details are added by adding the expenditure of the week.

Table 29.4 Weekly/monthly record book:-

Month January, 2016

Week	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
First week							
Second week							
Third week							
Fourth week							
Total							

3. Annual book record : Details of the year are maintained.

Table 29.5 : Annual book record

Month	Income	Expenditure	Less/more expenses than income
January			
February			
March			
April			

Types of records :

- 1. Market expenditure :** Keeping the account of the market is very important for the housewife because the main part of the income is to bring food items, fruit, vegetable, cloth etc. from the market. Everyday records of expenditure on these items should be kept in the diary. Account for the market expenditure should be written in the evening every day.
- 2. Record of milk :** The amount of milk is calculated by the end of the month. Housewife should keep the details of the expenses incurred on milk every day. There is no discrepancy in accounting when the details of milk expenditure are written systematic and distributed.
- 3. Record of laundryman :** The details of the clothes being washed by the washer is kept in this account. The female account holder records the number of clothing given and date wise clothes given to the laundryman. Apart from this, the clothes given for the woman are kept in account and if dry wash is done then its account is also kept. So that there is no difficulty by the end of the month. There should be a fixed copy or a diary of the laundryman, so that there is a favor on writing account with the laundryman.
- 4. Property records :** The purchase of house, car, scooters etc., the receipt of depositing, car insurance etc. is kept under this type of account. The receipt of bill deposits is kept by creating a file.

- 5. Record of insurance or other savings instrument :** When the funds are to be used in the insurance bank or post office or any other savings account, the receipts related to all are filed in a place arranged in a particular place. The details of loan letters, fixed deposits etc. are also written in this account.

Method of records :

- 1. Page method :** It is a very simple, flexible method, writing the amount of expenditure on one page, putting it on the door or on a board, as the cost is spent, it is noted that by adding the expenditure at the end of the week or at the end of the month, it can be about expenditure estimated as per budget or not.
- 2. Envelope method :** In this, the envelope is made by keeping the amount in accordance with the amount to be spent, which is written for expenditure. Apart from this, separate envelope can also be kept for each item.
- 3. Note book method :** A copy will be written as a date or period or calculation of expenses according to the calculation. Thus, expenses can be accounted for a long time and can be evaluated.
- 4. Card filling method :** Family members are given funds according to different expenses. They keep account of the expenditure on a card for a month. All members can keep a record of their expenses for a month's card.

Important points :

1. Whatever money is earned in the family, how much to spend and how to spend is called expenditure.
2. There are certain expenses in every family like food, education, clothes, houses etc. and some semi-fixed such as marriage, party, entertainment etc.
3. Details of income and expenditure are called budget, which is necessary for every family.
4. Creating a budget can be saved for the future.
5. Budgets are mainly of three types, but the budget of savings is called ideal budget.
6. Family income and expenditure changes.
7. Household account is to spend the family income in a systematic way, which is written daily, weekly or monthly.
8. Every family spends their income on different items, according to Angel Rules, the expenditure on food decreases as income increases and expenses of luxury needs are increase.
9. There are four main ways to keep a record book. Page, envelop, note book, or card filling.
10. Keeping a household account book can reveal income expenditure, can be saved, unnecessary expenses can be reduced.

Question :

1. Choose the answers to the following questions:
 - (i) The expenditure that is repeated over a certain period is :
 - (a) Consumption expenditure
 - (b) Fixes expenditure
 - (c) Semi fixed expenditure
 - (d) Family expenditure
 - (ii) Increasing demand for consumption items increases :
 - (a) Speed of production
 - (b) Speed and volume of production
 - (c) Volume of production
 - (d) None of this

- (iii) The meaning of budget-
 - (a) Family income details
 - (b) Details of family expenses
 - (c) Detailed expenditure statement
 - (d) Expenditure on various items
 - (iv)is the type of household account book
 - (a) Market expenditure
 - (b) Account holder
 - (c) Account of property
 - (d) All the above
2. Fill in the blank :
 - (i) is the operator of economic activities.
 - (ii) The amount of money left after consumption is called
 - (iii) expenditure changes according to income and circumstances .
 - (iv) Make a budget before spending the income.
 - (v) It is easy to maintain proper balance of at home.
 3. What is family expenditure? How many parts can it be divided, explain?
 4. Explain about consumption expenditure with its types.
 5. Income and expenditure is a continuous process. How?
 6. Write the definition and type of budget.
 7. Write the requirement for a household account book.
 8. Write the names of the main methods of writing a household account book and explain it.

Answers :

1. (i) b. (ii) b. (iii) c. (iv) d.
2. (i) consumption expenditure
(ii) saving
(iii) uncertain
(iv) family
(v) Income-expenditure