Financial House Budgeting for Dummies

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Introduction

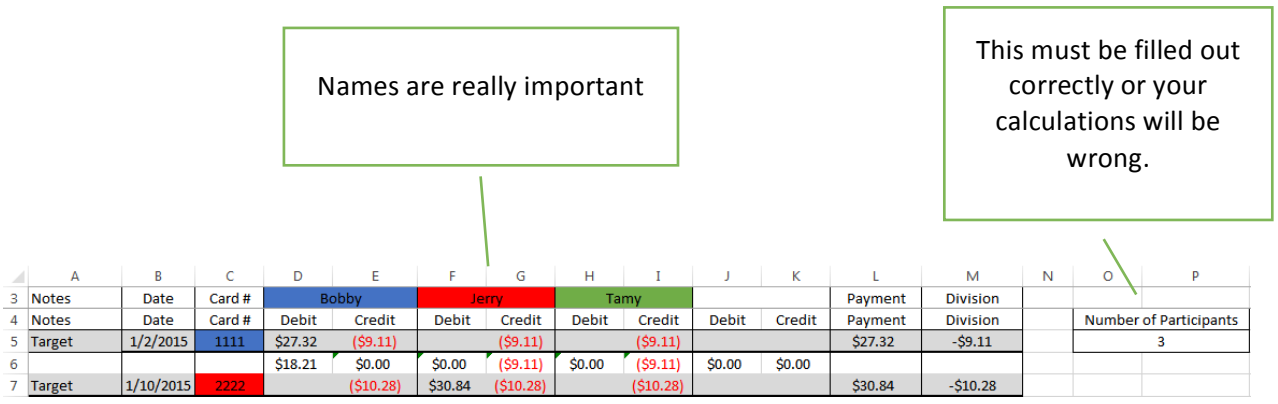
To budget for a house, it may be difficult, especially when the house, as a group, must pool together resources in order to keep food on the table. As the NBA XPLOR program is about pooling together resources, there may be some tension between housemates as some may suspect others of paying too much or paying too little for those pool of resources. It is difficult to keep track of everyone paying the "equal" amount. This guide is supposed to help with keeping a system where a house can keep track of all the money that is spent for the group and to tell the house who is spending more or less. There will be some accounting concepts applied to help keep track of all the monies, and I will try to help you through them. I have built a worksheet for you to get the house started, and I hope that this will be useful for you and the whole house to ease tensions in financial matters.

Let's Begin

Open my Excel file: "House Financial Pool Records.xlsx"

The first sheet is the Main Records sheet, which will be where you will be recording all of your purchases. The second sheet is a more colorful sheet with red, blue, and green colors and a lot of numbers all over it. We will be focused on that sheet and all of the ones after it for this guide.

Click open the Example Sheet so that the colors are visible on the page. If you look you will see three names at the top middle of the screen. These are obviously where the names of the residents will go. All names and purchases are purely fictional for educational purposes. Before even starting to record any purchases, please enter the **Names** and the **Number of Participants.** They must be accurately filled out or the numbers will not be in the right place. The page will look like this:



	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
3	Notes	Date	Card #	Bobby		Jerry		Tamy				Payment	Division			
4	Notes	Date	Card #	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Payment	Division		Number of Participants	
5	Target	1/2/2015	1111	$27.32	($9.11)		($9.11)		($9.11)			$27.32	-$9.11		3	
6				$18.21	$0.00	$0.00	($9.11)	$0.00	($9.11)	$0.00	$0.00					
7	Target	1/10/2015	2222		($10.28)	$30.84	($10.28)		($10.28)			$30.84	-$10.28			

As you continue to look at the page, let me draw your attention to all the top lines. To the left, you will notice:

3	Notes	Date	Card #
4	Notes	Date	Card #
5	Target	1/2/2015	1111
6			
7	Target	1/10/2015	2222

Notes: You can put locations of where you last purchased. This is used more as a reference to where you paid and backtracking purposes.

Date: Date of purchase.

Card #: Any charge to the credit or debit card will have a card number. On every receipt, the last four digits of the card charge will be shown.

FAQ: What happens if they paid cash?

A: Then put cash in the card # space, but make sure to keep track who paid in cash.

If you look on the right side, you will see this:

Payment	Division			
Payment	Division		Number of Participants	
$27.32	-$9.11		3	

Payment: The total payment for the receipt, also used as a placeholder.

Division: It is the payment / the number of participants to divide the receipt into equal parts. For this example, there are three participants, so the payment is divided three ways. I will get into why it is negative later.

Number of participants: How many people in the house.

When you look at the middle you will see something that may look strange: the Debit and Credit columns for each person.

D	E	F	G	H	I	J	K
Bobby		Jerry		Tamy			
Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
$27.32	($9.11)		($9.11)		($9.11)		

In accounting, Debits are the accumulation of all of the person's assets collected throughout the year, and Credits are all of the losses or debts owed to other people or entities. The sum of all Debits will always equal the sum of all Credits. The Debits **always** equal the Credits. There is a much deeper

definition for these two that you will not need to know for the program, but for the purpose of recording these entries, here is a simpler term:

Debit: The stuff you own

Credit: The stuff you owe

Debit = Credit

For this sheet, Debit and Credit will be used slightly differently, but the principle will be the same. You will need to go to an accounting class to understand why.

Debit: What you spent on the purchase

Credit: How much you owe on the purchase

Let the Budgeting Begin!

For this example, I have used three people as examples for the span of three months. (It was supposed to be two months, but there was a typo and I didn't realize it till after I finished preparing everything. Don't worry, nothing has changed other than the house having a really good month.)

In the span of three months in NBA XPLOR, the Residents have decided to pool their money in order to buy groceries. They were given no groceries, and they had to buy food for the next week. Bobby decided to buy the first round of groceries on 1/2/15 for $27.32 at Target with his credit card. So it will be recorded as such:

Card #	Bobby		Jerry		Tamy	
Card #	Debit	Credit	Debit	Credit	Debit	Credit
1111	$27.32	($9.11)		($9.11)		($9.11)
	$18.21	$0.00	$0.00	($9.11)	$0.00	($9.11)

Note: When you record your information please only enter information on the grey boxes. All of the white boxes have functions to help you calculate all the stuff that you need to know. Touching those boxes will cause major errors in your calculations.

In order for Bobby to record that information, he must Debit the $27.32, as that is the amount that he paid on that day. Since this purchase is for groceries that everyone can use, the payment needs to be divided into three ways to keep things even and fair. So Bobby must credit all three of them for $9.11.

Note: *You must enter the credit's manually for future reasons, but you can copy paste the division number into each slot to make things easier. Also entering in Credits, in order to get the Red Color and Parenthesis you must type -9.11. If you don't do that, you will end up adding those two numbers together and it will be wrong.*

Why is it that when Bobby paid his $27.32, his debit went down to $18.21?

It is because he had to pay for his share of the groceries, which was $9.11.

At this point, Bobby has actually over-paid his share of the bill by $18.21 because his housemates, Jerry and Tamy, did not pay for the groceries. For Jerry and Tamy, they both now owe Bobby $9.11.

Next week, Jerry decides to pay for groceries. On 1/10/15, Jerry goes to Target again and buys more groceries for $30.84. Since this is a communal pool everyone needs to pay 1/3 of the groceries, and so the cost for each of them individually is $10.28. This will now leave Bobby with a positive account of $7.93 and Jerry with $11.45 and Tamy with a debt of $19.39.

$18.21	$0.00	$0.00	($9.11)	$0.00	($9.11)
	($10.28)	$30.84	($10.28)		($10.28)
$7.93	$0.00	$11.45	$0.00	$0.00	($19.39)

Note: Two of the final numbers will always equal the third. Debit = Credit

How is it that when Jerry paid for his groceries, he lost almost $20 from that payment?

Because Jerry had a $9.11 debt beforehand, plus $10.28 for his current groceries, giving a total of $20.56. Subtracting that total with what he paid will give $11.45.

Imagine that you bought bread from the cashier for $10. You said you will pay him next time, and so you have a $10 debt with the cashier. Then the next day, you buy a jar of peanut butter for $5, and you pay the cashier with a $20 bill. The Cashier will only give you $5 change. Why? The $10 debt for the bread you owe had to be paid, and then $5 peanut butter for the current item that you are buying was paid. Thus leaving $5 in change.

On 1/14/15, Tamy decides to pay for the bill at Walmart for $58.63. When divided three ways, the cost for each person comes to $19.54. As per usual, Tamy will be debited for $58.63 and credited for $19.54. Because she also has a debt or Credit of $19.39, she now has a Debit of $19.70.

	Bobby		Jerry		Tamy	
Card #	Debit	Credit	Debit	Credit	Debit	Credit
	$7.93	$0.00	$11.45	$0.00	$0.00	($19.39)
3333		($19.54)		($19.54)	$58.63	($19.54)
	$0.00	($11.61)	$0.00	($8.09)	$19.70	$0.00

Note: *In this example, the final numbers have two people in the negative and one person in the positive. Both of those negative numbers equal the positive one. Debits = Credits. If the program were to end on this day, then Bobby would owe Tamy $11.61, and Jerry would owe Tamy $8.09.*

As you continue to follow the list, watch how the payments effect the Debits and Credits of each person and study how it changes each account. For this guide, we are going to skip a few dates to 2/13/15.

			Bobby		Jerry		Tamy	
Notes	Date	Card #	Debit	Credit	Debit	Credit	Debit	Credit
			$25.53	$0.00	$0.00	($13.58)	$0.00	($11.92)
Berger King	2/27/2015	2222		($10.63)	$16.92	($6.29)		
		2222	$14.90	$0.00	$0.00	($2.95)	$0.00	($11.92)

A few things are going on here. First off, yes it is Burger King, I know, it was late. On a more serious note, it looks like Jerry paid for both himself and Bobby. Tamy was not there to eat with them, so she has no Debit or Credit to be added or deducted. As for Bobby, he decided to use his debit of $25.53 to pay for his meal and asked Jerry to pay. If you notice, you will see the Bobby's Debit went down **and** Jerry's Credit went down. Basically, what is happening is that Bobby is calling in his funds of what people owe.

Bobby		Jerry		Tamy	
Debit	Credit	Debit	Credit	Debit	Credit
$25.53	$0.00	$0.00	($13.58)	$0.00	($11.92)

Before Jerry bought the Burger King, Jerry owed Bobby $13.58 and Tamy owed $11.92. Now, even though Jerry paid for a $16.92 meal, you need to remember that Jerry still had to pay for his own meal of $6.29, so his debt did not get wiped clean but it got reduced only by the $10.63, which was Bobby's meal. Tamy does not get affected by all this because she did not participate in the transaction.

Finally, looking at the final entry, on 3/28/15, two people seem to have paid for the same shopping trip.

	Bobby		Jerry		Tamy	
Card #	Debit	Credit	Debit	Credit	Debit	Credit
2222	$14.90	$0.00	$0.00	($2.95)	$0.00	($11.92)
3333		($38.06)	$64.19	($38.06)	$50.00	($38.06)

It is possible that Tamy may have had a gift card and Jerry decided to cover the rest. Another possibility can be that Tamy only had a $50 bill, so Jerry covered the rest. In this case, Tamy would only Debit $50 because she physically paid that, and the rest will be Debited to Jerry. You may get two receipts; make sure to record the transactions accordingly for record-keeping purposes. Now, if you noticed to the right, the payment column has the total amount of the receipt shown there to tell you the total, $114.19. Since they are still dividing three ways, the entry can be entered as usual to credit each person 1/3.

Now that it is at the end of the program, how do you know who owes who and who pays what?

Bobby		Jerry		Tamy	
Debit	Credit	Debit	Credit	Debit	Credit
$0.00	($23.16)	$23.18	$0.00	$0.02	$0.00

Here are the final numbers given at the end of all the transactions. Since there are two people who have a Debit account, that means that one person owes two people money. If there were two people with Credit accounts, then that would mean two people would owe one person money. In this case, Bobby owes Jerry $23.18 and Bobby owes Tamy $.02. (Pure coincidence that happened.) Once the cash has been paid, then everyone is happy at the end of the program. Yay!

Note: *If you haven't noticed Bobby has a debt of $.04 less then Jerry and Tamy combined. Jerry + Tamy = $23.20. So what about that $.04?! A lot of times, the computer rounds cents up/down because you can't have part of a cent. These four cents are caused by rounding errors that have been made by being added and subtracted through the whole process. For this situation, I say let Jerry and Tamy take the bullet*.

My Bank Account

If you click on the Excel sheet that says "Bobby's Bank Statement," it will show you generally what his bank statement will look like every month. Bobby's bank will not know all those calculations taking place and thus will only show what they see going in and out of his bank account.

Bobby's Bank Statement's			
Date	Jan. Monthly Activity	Debit	Credit
1/2/2015	Target Payment		$ (27.32)
1/15/2015	NBA Deposit	$ 237.50	
1/19/2015	Kroger Payment		$ (83.64)
1/31/2015	NBA Deposit	$ 237.50	
			$ 364.04

Now, I only recorded the events that happened when they purchased as a group, but there will be times that the Resident may purchase on his/her own, which will change the final total, but we only care about the communal payments. If you purely focus on your bank statement as an individual, you may be wondering how all of this balances out when you're making random large payments for group groceries. If you look to the right, I have drawn out all the payments that pay for itself.

1/2/15 Payment		
$ 27.32	$ (9.11)	1/2/2015
	$ (10.28)	1/10/2015
	$ (7.93)	1/14/2015 (Partial)
$ 27.32	$ (27.32)	

2/26/15 Payment		
	$ (24.61)	2/13/15 (Carried)
$ 68.32	$ (22.77)	2/26/2015
	$ (10.63)	2/27/2015
	$ (10.31)	3/28/2015 (Partial)
$ 68.32	$ (68.32)	

1/19/15 Payment		
	$ (11.61)	1/14/2015 (Carried)
$83.64	$ (27.88)	1/19/2015
	$ (36.44)	1/28/2015
	$ (3.12)	1/30/2015
	$ (4.59)	2/13/2015 (Partial)
$83.64	$ (83.64)	

Money Owed	
($23.16)	3/28/15 (Carried)

As other people are taking their turns to pay for things, those payments are falling back into the payment that you made until you need to pay again. Instead of making constant payments every

shopping trip, the idea is to make one large payment that will cover a bunch of smaller ones. In the end, this will come back to balance out as your housemates pay for things.

I have drawn out all of the other residences bank statements so that you can see what theirs would look like and to compare them to others. Use these as references for recording your own records.

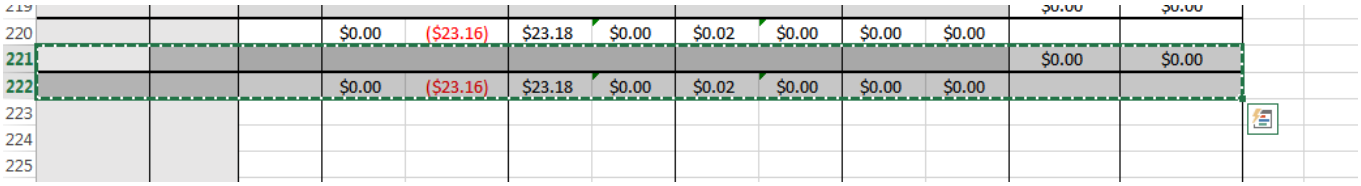
Frequently Asked Questions

FAQ: At what point do I enter entries like 2/27/15 or 3/28/15 on the example sheet?

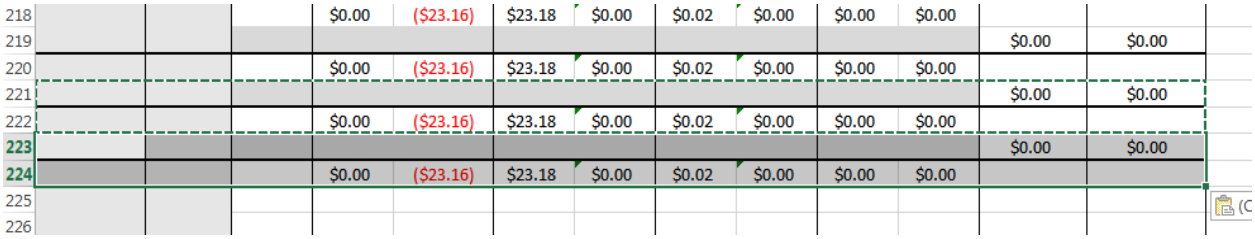
A: For the Burger King 2/27/15, a lot of times if you go eat at a restaurant and you cannot split the check, you can split it in the records to make it easier to keep track. Also, if you run out of money, you can actually use your records to call in payments from your other housemates if you have a Debit account. Just make sure you record it, or your housemates will be mad. For 3/28/15, it is mainly for splitting bills between more than one person, especially when the bill gets really big. Another possibility is if more than one person buys stuff on the same day and you record it all under the same line. I highly do not recommend doing, that as it is easier to be confused as to who paid what and much harder to backtrack. You are better off using multiple lines for the same day.

FAQ: What if I run out of recording lines?

A: An easy way to do it is copy and the empty lines you need:



And then paste them in the following lines:



Do not worry about the numbers in the white boxes, as they are all functions and will change accordingly as you update your sheet. Rinse and repeat until satisfied.

FAQ: What happens if someone has a large amount of debt?

A: Have them start paying for the house.

FAQ: The Excel sheet says there are a lot of formula errors.

A: I have checked them multiple times all of them work like they should. You can ignore them unless they return a wrong number or ###REF### or somewhere near those lines.

FAQ: How does someone budget with such a large quantity of money per purchase?

A: To budget something like this will be difficult, as the purchase will vary greatly. With a house of four, it will be easier to budget as you can easily budget every pay period with a certain amount and

everything will balance equally. Unfortunately, as a house of three, to budget like that will mean that one person will be spending more than the other two as the pay periods are every two weeks instead of three. 1). Budget regularly and expect to have one pay period larger with the others smaller, or 2). Budget for every three pay periods instead of one. Instead of budgeting for every paycheck, budget for every 3 paychecks. 3). Don't pay large bills and split payments. If anyone has a better solution, let me know. 4) Determine how much the house wants to spend per every pay period/month. Then, having that number divide by the number of the housemates, and then aim for that number as a house. For example, if the house budgets a total of $90 per pay period, then each individual will budget $30. Through that pay period, the house would need to aim for $90 and keep track of the $30 per each individual. This will result in over- and under-payments in the data. At the very start, you will need to depend on your savings a little until your income has brought you to be positive in the bank. You will need to know that budgeting like this will give you pay periods where you will spend a lot and others where you won't spend much at all. Given the nature of how this is setup, it will be difficult to put an exact number to every pay period. Just like most budgets, they are goals to aim for, but if you keep track as to who is in debt and who isn't, it will be much easier to predict who will need to pay next, and you can budget accordingly.