Personal Financial Literacy

Make a Financial Plan

Name _____ **Date** _____ **Score** _____ / 10

QUICK REVIEW

A financial plan must satisfy the whole budget, not just one percentage. Apply discounts before tax when tax is on the selling price. For a savings deadline, divide the shortfall by the number of deposits and round up if only whole dollars are allowed. Compare final costs including stated fees; retain intermediate precision and round final currency to the nearest cent.

Worked example

A $\$60$ item is discounted 15%, then taxed 5% on the selling price. Find the final cost.

1. The discount is $0.15(60) = 9$ dollars, leaving selling price $60 - 9 = 51$. This reduced price is the stated tax base.

2. The tax is $0.05(51) = 2.55$ dollars. The final cost is $51 + 2.55 = 53.55$, so the purchase costs $\$53.55$.

Answer: $\$53.55$.

Practice Problems

Show your thinking.

1. Build a monthly budget from $\$1200$ income: essentials $\$750$, savings 15% of income, and the rest flexible spending. Find flexible spending.

2. A $\$85$ backpack is 20% off, then taxed at 8%. Find the final price, rounded to cents.

3. You have $\$50$ for dinner. The menu subtotal is $\$38$. Add 7% tax and a 15% tip, both based on the subtotal. Find money left.

4. Offer A is 30% off $\$90$. Offer B is $\$20$ off $\$80$. No tax applies. Choose the cheaper offer and find the difference.

5. A club needs $\$575$ in 9 weeks and has $\$180$. Find the smallest whole-dollar weekly saving that meets the goal.

6. You borrow $\$450$ at 6% annual simple interest for 8 months. Find the total repayment.

7. You earn $\$13.50$ per hour for 16 hours plus a $\$24$ bonus. Deductions are 12% of all earnings. Find net pay.

8. Account A charges $\$6$ monthly. Account B charges $\$1.25$ per withdrawal with no monthly fee. You make 5 withdrawals. Choose the cheaper account.

9. A shop buys an item for $\$48$ and marks it up 35% of cost. Find the selling price before tax.

10. You need $\$1040$ after one year in an account paying 4% annual interest, with no fees. Find the minimum initial deposit to meet the goal exactly.

Answer Key

1. $\$270$.
2. $\$73.44$.
3. $\$3.64$.
4. Offer B, cheaper by $\$3$.
5. $\$44$ per week.
6. $\$468$.
7. $\$211.20$.
8. Account A, cheaper by $\$0.25$.
9. $\$64.80$.
10. $\$1000$.

Step-by-Step Solutions

Follow each calculation, then check your own work.

Problem 1

1. Allocate savings first: $0.15(1200) = 180$ dollars. Essentials and savings together use $750 + 180 = 930$ dollars of the income.

2. The remainder is $1200 - 930 = 270$. Thus flexible spending can be $\$270$, and $750 + 180 + 270 = 1200$ verifies the complete balanced budget.

Problem 2

1. Apply the discount to the original price: $85(0.80) = 68$ dollars. The taxable selling price is therefore $\$68$.

2. Tax is $68(0.08) = 5.44$ dollars. Add it to the sale price: $68 + 5.44 = 73.44$, giving a final cost of $\$73.44$.

Problem 3

1. Both additions use the stated 38-dollar base: tax is $0.07(38) = 2.66$ and tip is $0.15(38) = 5.70$.

2. The bill is $38 + 2.66 + 5.70 = 46.36$. Subtract from the available money: $50 - 46.36 = 3.64$, so $\$3.64$ remains.

Problem 4

1. Offer A costs $90(0.70) = 63$ dollars after its percent discount. Offer B costs $80 - 20 = 60$ dollars after its fixed discount.

2. Compare the final prices, not discount labels: $60 < 63$. Offer B is cheaper, with a saving of $63 - 60 = 3$ dollars compared with Offer A.

Problem 5

1. The club still needs $575 - 180 = 395$ dollars. Dividing by 9 gives $\frac{395}{9} = 43.888\ldots$ dollars per week.

2. Round up to 44 whole dollars, not to the nearest integer. Then $180 + 9(44) = 576$, while $180 + 9(43) = 567$ would fall short.

Problem 6

1. Convert the time to years: $t = \frac{8}{12} = \frac{2}{3}$. Then $I = 450(0.06)(\frac{2}{3}) = 18$ dollars in interest.

2. Total repayment includes principal and interest: $450 + 18 = 468$. With no fees or partial payments specified, the amount due is $\$468$.

Problem 7

1. Hourly earnings are $13.50(16) = 216$ dollars. Include the bonus before deductions: total gross earnings are $216 + 24 = 240$ dollars.

2. Deductions are $0.12(240) = 28.80$ dollars. Net pay is $240 - 28.80 = 211.20$, so the amount received is $\$211.20$.

Problem 8

1. At five withdrawals, Account B costs $5(1.25) = 6.25$ dollars. Account A remains 6.00 dollars because its stated fee is fixed.

2. Compare $6.00 < 6.25$. Account A is cheaper for this usage, and the difference is $6.25 - 6.00 = 0.25$ dollar.

Problem 9

1. The markup is based on cost: $0.35(48) = 16.80$ dollars. This amount is added to, rather than subtracted from, the cost.

2. The selling price is $48 + 16.80 = 64.80$. Equivalently $48(1.35) = 64.80$, so the pretax price is $\$64.80$.

Problem 10

1. One year adds 4% of principal P, so the final balance is $P + 0.04P = 1.04P$. Set $1.04P = 1040$.

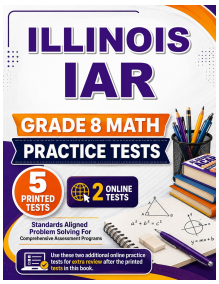
2. Divide to get $P = 1040 \div 1.04 = 1000$. Checking $1000 + 0.04(1000) = 1040$ shows that a $\$1000$ initial deposit meets the goal exactly.

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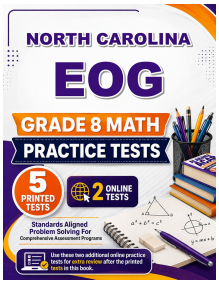
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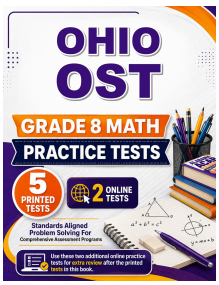
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