

Creating the Budget, Exercise 3, Credit Card to Pay Bills (Chapter 2, Section 2.3)

Credits are often used to pay many bills rather than an EFT or a check. For purposes of this exercise there are not actually payments being made so it cannot be simulated. **The Budget Sheet Example** video discusses the management of the budget and it shows examples of how to manage this. You may also see Chapter 2, Section 2.3 Tracking Bills with a Credit Card on book or video.

When it comes to paying bills with a credit card, it requires extreme discipline for when it is used money is added to that balance whereas with a debit card the money is withdrawn immediately. When paying for expenses by way of credit card it requires an additional line to be added to the budget. When a transaction is recorded on the credit card the affected line items in the budget are treated as normal in terms of the amounts applied to it meaning if \$100 was applied on the credit card for the Spending money category it needs to be reduced by \$100. At the same time the “Credit Card” line item increases and becomes a payable bill. This balances out the inflow and outflow. Therefore, when the numbers are modified, they’re considered as a “wash” until the credit card has a payment applied to it. In the table below, the leftovers had \$100 applied to it as well as the car payment and child care at \$300 respectively. From there the actual column is modified and the \$700 is pushed to the credit card column.

Bill Name	Project	Actual	Remain	Due Date	Sent	Posted
Spending	\$703	\$100	\$603	8/1	7/30	Credit card
Student Loan	\$300	\$300	\$0	8/8	8/5	Credit card
Child Care	\$300	\$300	\$0	8/3	8/2	Credit card



Bill Name	Project	Actual	Remain	Due Date	Sent	Posted
Credit Card	\$700	\$0	\$700	8/1	7/30	8/1

The Project column for the credit card is really a running total due to the fact determining a fixed amount each month is difficult to predict. The actual column is what has been paid at the given moment because more than one payment may be applied during a month.