

Fixed vs. Variable Expenses

Extension Activity for *Real Cost – Real Life* Presentation

Grade Level:

- Grade 7

Learning Objective:

This extension activity, along with the *Real Cost – Real Life* presentation should help students:

- identify common household expenses
- define fixed expense, variable expense and irregular expense

Materials Needed:

- whiteboard
- whiteboard marker
- *Fixed, Variable, or Irregular Expense?* worksheet (1 per student)
- pencils (1 per student)

Lesson Plan:

1. Ask students the following question: What are some things your family spends money on? Write answers on the whiteboard. If students have difficulty answering, provide them with some examples from the list below:

Common household expenses

<input type="radio"/> rent/mortgage payments	<input type="radio"/> car maintenance (e.g. oil changes)
<input type="radio"/> utilities (heat, water, electricity)	<input type="radio"/> gasoline
<input type="radio"/> internet	<input type="radio"/> phone
<input type="radio"/> groceries	<input type="radio"/> gifts
<input type="radio"/> eating out	<input type="radio"/> entertainment (e.g. movies, concerts)
<input type="radio"/> clothes	<input type="radio"/> toiletries (e.g. toothpaste, shampoo)
<input type="radio"/> haircuts	<input type="radio"/> medicine / healthcare
<input type="radio"/> car insurance	<input type="radio"/> cable
<input type="radio"/> car payments	<input type="radio"/> vacations/travel
<input type="radio"/> property taxes	<input type="radio"/> charitable donations

2. Share with students, expenses fall into three categories:

fixed expense	costs that occur each period and the amounts do not change from one period to the next (e.g. rent or mortgage payment)
variable expense	costs that occur each period and the amounts change from one period to the next (e.g. groceries)
irregular expense	costs that do not occur on a consistent basis (e.g. car maintenance)

3. Distribute the *Fixed, Variable, or Irregular Expense?* worksheet and pencils to students
4. Review the answers with students after they have completed the worksheet

Fixed, Variable, or Irregular Expense?

<u>Fixed Expenses</u>	<u>Variable Expenses</u>	<u>Irregular Expenses</u>
Costs that occur each period and the amounts do not change from one period to the next (e.g. mortgage payment)	Costs that occur each period and the amounts change from one period to the next (e.g. groceries)	Costs that do not occur on a consistent basis (e.g. holiday gifts)

Read each item and decide if a fixed, variable, or irregular expense is being described. Write the word *fixed*, *variable* or *irregular* on each line.

1. Angela makes a \$300 car payment each month _____
2. Ken paid \$50 to get the oil in his car changed _____
3. Patrick pays a flat rate of \$75 for Internet each month _____
4. Amy paid \$150 to the dentist to get her teeth cleaned _____
5. At Christmas, Elizabeth spent \$300 on presents for her family _____
6. Sarah normally pays \$50 / month for her cell phone
 However, some months she exceeds her data plan and pays more _____
7. Dustin usually cuts his own hair. However, this time he
 decided to go to a hair dresser and paid \$25 for a haircut _____
8. Paula pays \$75 for skating lessons each month _____
9. The amount of money Clare spends on eating out each month
 varies depending on what restaurants she goes too _____

Fixed, Variable, or Irregular Expense? Answer Key

<u>Fixed Expenses</u>	<u>Variable Expenses</u>	<u>Irregular Expenses</u>
Costs that occur each period and the amounts do not change from one period to the next (e.g. mortgage payment)	Costs that occur each period and the amounts change from one period to the next (e.g. groceries)	Costs that do not occur on a consistent basis (e.g. holiday gifts)

Read each item and decide if a fixed, variable, or irregular expense is being described. Write the word *fixed*, *variable* or *irregular* on each line.

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|---|------------------|
| 1. Angela makes a \$300 car payment each month | <i>fixed</i> |
| 2. Ken paid \$50 to get the oil in his car changed | <i>irregular</i> |
| 3. Patrick pays a flat rate of \$75 for Internet each month | <i>fixed</i> |
| 4. Amy paid \$150 to the dentist to get her teeth cleaned | <i>irregular</i> |
| 5. At Christmas, Elizabeth spent \$300 on presents for her family | <i>irregular</i> |
| 6. Sarah normally pays \$50 / month for her cell phone
However, some months she exceeds her data plan
and pays more | <i>variable</i> |
| 7. Dustin usually cuts his own hair. However, this time he
decided to go to a hair dresser and paid \$25 for a haircut | <i>irregular</i> |
| 8. Paula pays \$75 for skating lessons each month | <i>fixed</i> |
| 9. The amount of money Clare spends on eating out each month
varies depending on what restaurants she goes too | <i>variable</i> |