EXPENDITURE

Chapter 6

Expenditure

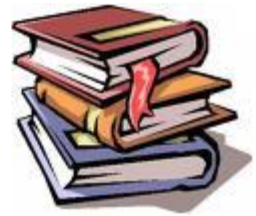
- **Expenditure** relates to spending, to paying out money and to charges incurred.
- There are 3 types of expenditure

1. Fixed
2. Irregular &
3. Discretionary

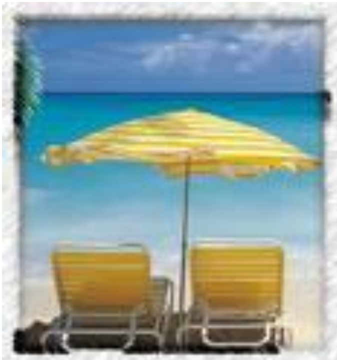
Expenditure

- **Fixed Expenditure** involves spending a definite amount at a definite time.
- **eg.**: an insurance premium, mortgage, rent, car tax.

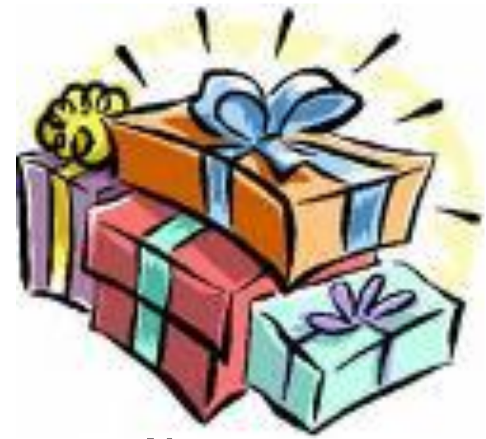
Expenditure



- **Irregular Expenditure** has to paid out but the amounts and/or payment dates can change.
- **eg.**: E.S.B. bills, telephone bills, groceries, fuel, education

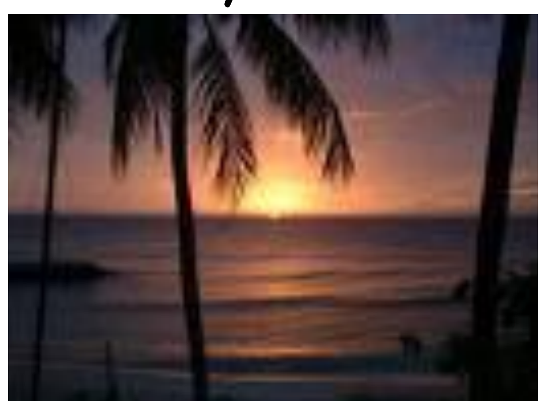


Expenditure



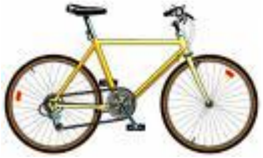
- **Discretionary Expenditure** is expenditure which can be reduced or done without.
- It should only occur after fixed and irregular expenditure.

eg.: Holidays, presents, entertainment, etc.



Expenditure

- Opportunity Cost is the value of the sacrifice we make when choosing to consume one good instead of another.



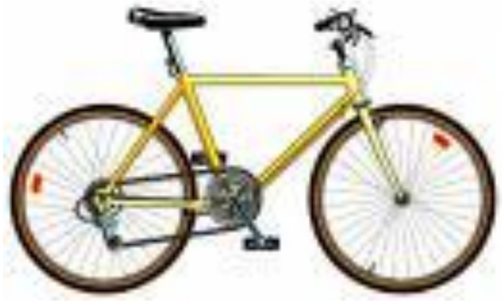
example

- You have €300.
- You can only afford either a holiday or a bicycle.
- If you buy the bicycle, you can say that the opportunity cost of buying the bicycle is having to do without the holiday.

<u>Expendi</u>ture

- <u>Financial Cost</u> is the actual cost of the item you buy.

eg.: the financial cost of the bicycle was €300



<u>Expenditure</u>

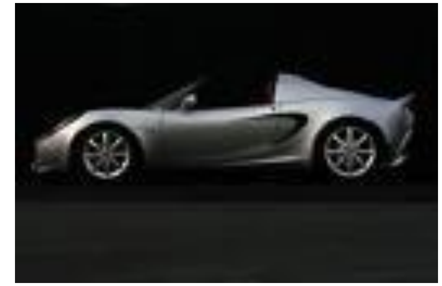
- <u>Impulse Buying</u> is spending money without ***<u>planning</u>*** in advance.

- <u>False Economies</u> occur when people buy goods they do not need because the goods are cheaper than usual.

eg.: a box of corn Flakes for €3.00

2 boxes for €5.80

Expenditure

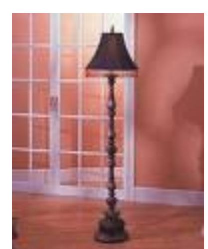


- Capital Expenditure is spending on items that will last for a number of years.

eg.: a car, a house, furniture

- Current Expenditure is spending on day to day items used in the process of living.

eg.: petrol, light and heat, groceries



Expenditure

- Cash Purchases means we pay for the goods as soon as we get them.
- Credit Purchases means that we get the goods now and pay for them later.

Expenditure

- Accruals are services that we have the use of now but pay for later.

eg.: telephone, E.S.B.

Expenditure

- An Invoice gives details of amounts owed when goods are bought on credit.
- Before paying the amount of an invoice it is important to check to ensure that it is correct.
  - Ensure that the goods were delivered (check the delivery note)
  - Compare the invoice to the delivery note
  - Check the calculations of the amount owed are correct

Expenditure

- A Delivery Note will accompany goods when they are being delivered.
- A buyer signs the delivery note if they are satisfied that the delivery note matches the goods delivered and ordered.
- Both he and the seller receive a copy.
- The delivery note acts as ***proof*** that the goods have been delivered.

Expenditure

- <u>C.O.D. **C**ash **O**n **D**elivery</u> means you pay the amount owed if the goods delivered and the delivery note match the goods that you've ordered.