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ABSTRACT

Developed as part of the Marine Corps Institute (MCI) correspondence training program, this course on personal finance is designed to provide all Marines with the ability to manage their financial affairs successfully. Introductory materials include specific information for MCI students, a course introduction, and a study guide (guidelines to complete the course). The 18-hour course contains four study units. Each study unit begins with a general objective. The study units are divided into numbered work units, each presenting one or more specific objectives. Contents of a work unit include a text and study questions/exercises. Answer keys are found at the end of each study unit. At the end of the course is a review lesson. Topics covered in the study units include budget formulation and financial planning; financial organizations, checking accounts, savings accounts, and direct deposit; credit, loans, and large purchases; and the Leave and Earnings Statement. (YLB)

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34.20b  
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1. ORIGIN

MCI course 34.20, Personal Finance, has been prepared by the  
Marine Corps Institute.

2. APPLICABILITY

This course is for instructional purposes only.



J. M. D. HOLLADAY  
Lieutenant Colonel, U. S. Marine Corps  
Deputy Director

## ACKNOWLEDGMENT

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# **INFORMATION**

## **FOR**

### **MCI STUDENTS**

Welcome to the Marine Corps Institute training program. Your interest in self-improvement and increased professional competence is commendable.

Information is provided below to assist you in completing the course. Please read this guidance before proceeding with your studies.

#### **1. MATERIALS**

Check your course materials. You should have all the materials listed in the "Course Introduction." In addition you should have an envelope to mail your review lesson back to MCI for grading unless your review lesson answer sheet is of the self-mailing type. If your answer sheet is the pre-printed type, check to see that your name, rank, and social security number are correct. Check closely, your MCI records are kept on a computer and any discrepancy in the above information may cause your subsequent activity to go unrecorded. You may correct the information directly on the answer sheet. If you did not receive all your materials, notify your training NCO. If you are not attached to a Marine Corps unit, request them through the Hotline (autovon 288-4175 or commercial 202-433-4175).

#### **2. LESSON SUBMISSION**

The self-graded exercises contained in your course are not to be returned to MCI. Only the completed review lesson answer sheet should be mailed to MCI. The answer sheet is to be completed and mailed only after you have finished all of the study units in the course booklet. The review lesson has been designed to prepare you for the final examination.

It is important that you provide the required information at the bottom of your review lesson answer sheet if it does not have your name and address printed on it. In courses in which the work is submitted on blank paper or printed forms, identify each sheet in the following manner:

DOE, John J. Sgt 332-11-9999  
 08.4g, Forward Observation  
 Review Lesson  
 Military or office address  
 (RUC number, if available)

Submit your review lesson on the answer sheet and/or forms provided. Complete all blocks and follow the directions on the answer sheet for mailing. Otherwise, your answer sheet may be delayed or lost. If you have to interrupt your studies for any reason and find that you cannot complete your course in one year, you may request a single six month extension by contacting your training NCO, at least one month prior to your course completion deadline date. If you are not attached to a Marine Corps unit you may make this request by letter. Your commanding officer is notified monthly of your status through the monthly Unit Activity Report. In the event of difficulty, contact your training NCO or MCI immediately.

### 3. MAIL-TIME DELAY

Presented below are the mail-time delays that you may experience between the mailing of your review lesson and its return to you.

	<u>TURNAROUND MAIL TIME</u>	<u>MCI PROCESSING TIME</u>	<u>TOTAL NUMBER DAYS</u>
EAST COAST	16	5	21
WEST COAST	16	5	21
FPO NEW YORK	18	5	23
FPO SAN FRANCISCO	22	5	27

You may also experience a short delay in receiving your final examination due to administrative screening required at MCI.

### 4. GRADING SYSTEM

<u>LESSONS</u>			<u>EXAMS</u>	
<u>GRADE</u>	<u>PERCENT</u>	<u>MEANING</u>	<u>GRADE</u>	<u>PERCENT</u>
A	94-100	EXCELLENT	A	94-100
B	86-93	ABOVE AVERAGE	B	86-93
C	78-85	AVERAGE	C	78-85
D	70-77	BELOW AVERAGE	D	65-77
NL	BELOW 70	FAILING	F	BELOW 65

You will receive a percentage grade for your review lesson and for the final examination. A review lesson which receives a score below 70 is given a grade of NL (no lesson). It must be resubmitted and PASSED before you will receive an examination. The grade attained on the final exam is your course grade, unless you fail your first exam. Those who fail their first exam will be sent an alternate exam in which the highest grade possible is 65%. Failure of the alternate will result in failure of the course.

### 5. FINAL EXAMINATION

**ACTIVE DUTY PERSONNEL:** When you pass your REVIEW LESSON, your examination will be mailed automatically to your commanding officer. The administration of MCI final examinations must be supervised by a commissioned or warrant officer or a staff NCO.

**OTHER PERSONNEL:** Your examination may be administered and supervised by your supervisor.

### 6. COMPLETION CERTIFICATE

The completion certificate will be mailed to your commanding officer and your official records will be updated automatically. For non Marines, your completion certificate is mailed to your supervisor.

## 7. RESERVE RETIREMENT CREDITS

Reserve retirement credits are awarded to inactive duty personnel only. Credits awarded for each course are listed in the "Course Introduction." Credits are only awarded upon successful completion of the course. Reserve retirement credits are not awarded for MCI study performed during drill periods if credits are also awarded for drill attendance.

## 8. DISENROLLMENT

Only your commanding officer can request your disenrollment from an MCI course. However, an automatic disenrollment occurs if the course is not completed (including the final exam) by the time you reach the CCD (course completion deadline) or the ACCD (adjusted course completion deadline) date. This action will adversely affect the unit's completion rate.

## 9. ASSISTANCE

Consult your training NCO if you have questions concerning course content. Should he/she be unable to assist you, MCI is ready to help you whenever you need it. Please use the Student Course Content Assistance Request Form (ISD-1) attached to the end of your course booklet or call one of the AUTOVON telephone numbers listed below for the appropriate course writer section.

PERSONNEL/ADMINISTRATION	288-3259
COMMUNICATIONS/ELECTRONICS/AVIATION	
NBC/INTELLIGENCE	288-3604
INFANTRY	288-3611
ENGINEER/MOTOR TRANSPORT	288-2275
SUPPLY/FOOD SERVICES/FISCAL	288-2285
TANKS/ARTILLERY/INFANTRY WEAPONS REPAIR	
LOGISTICS/EMBARKATION/MAINTENANCE MANAGEMENT/ ASSAULT AMPHIBIAN VEHICLES	288-2290

For administrative problems use the UAR or call the MCI HOTLINE: 288-4175.

For commercial phone lines, use area code 202 and prefix 433 instead of 288.

## PERSONAL FINANCE

### Course Introduction

PERSONAL FINANCE is designed to provide all Marines with the ability to successfully manage their financial affairs with a minimum of difficulty.

### ADMINISTRATIVE INFORMATION

#### ORDER OF STUDIES

<u>Study Unit Number</u>	<u>Study Hours</u>	<u>Subject Matter</u>
1	3	Budget Formulation and Financial Planning
2	4	Financial Organizations, Checking Accounts, Savings Accounts, and Direct Deposit
3	3	Credit, Loans, and Large Purchases
4	4	The Leave and Earnings Statement (LES)
	2	REVIEW LESSON
	2	FINAL EXAMINATION
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#### RESERVE RETIREMENT CREDITS

6

#### EXAMINATION:

Supervised final examination without test or notes; time limit, 2 hours.

#### MATERIALS:

MCI 34.20b, Personal Finance  
Review lesson and answer sheet

#### RETURN OF MATERIALS:

Students who successfully complete this course are permitted to keep the course materials.

Students disenrolled for inactivity or at the request of their commanding officer will return all course materials.

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#### HOW TO TAKE THIS COURSE

This course contains four study units. Each study unit begins with a general objective which is a statement of what you should learn from that study unit. The study units are divided into numbered work units, each presenting one or more specific objectives. Read the objective(s) and then the work unit text. At the end of the work unit text are study questions which you should be able to answer without referring to the text of the work unit. After answering the questions, check your answers against the correct ones listed at the end of the study unit. If you miss any of the questions, you should restudy the text of the work unit until you understand the correct response. When you have mastered one study unit, move on to the next. After you have completed all study units, complete the review lesson and take it to your training officer or NCO for mailing to MCL. MCI will mail the final examination to your training officer or NCO when you pass the review lesson.



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# MARINE CORPS INSTITUTE

Welcome to the Marine Corps Institute correspondence training program. By enrolling in this course, you have shown a desire to improve the skills you need for effective job performance, and MCI has provided materials to help you achieve your goal. Now all you need is to develop your own method for using these materials to best advantage.

The following guidelines present a four-part approach to completing your MCI course successfully:

1. Make a "reconnaissance" of your materials;
2. Plan your study time and choose a good study environment;
3. Study thoroughly and systematically;
4. Prepare for the final exam.

## I. MAKE A "RECONNAISSANCE" OF YOUR MATERIALS

Begin with a look at the course introduction page. Read the COURSE INTRODUCTION to get the "big picture" of the course. Then read the MATERIALS section near the bottom of the page to find out which text(s) and study aids you should have received with the course. If any of the listed materials are missing, see Information for MCI Students to find out how to get them. If you have everything that is listed, you are ready to "reconnoiter" your MCI course.



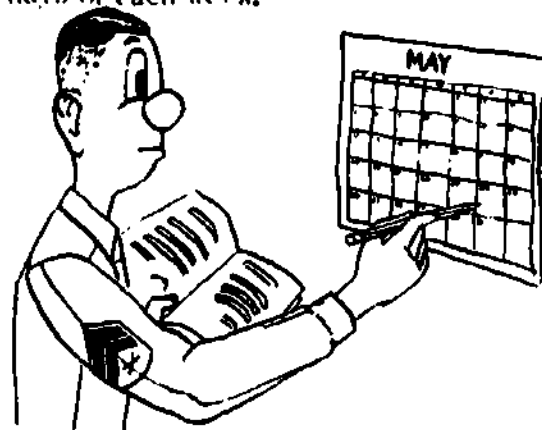
Read through the table(s) of contents of your text(s). Note the various subjects covered in the course and the order in which they are taught. Leaf through the text(s) and look at the illus-

trations. Read a few work unit questions to get an idea of the types that are asked. If MCI provides other study aids, such as a slide rule or a plotting board, familiarize yourself with them. Now, get down to specifics!

## II. PLAN YOUR STUDY TIME AND CHOOSE A GOOD STUDY ENVIRONMENT

From looking over the course materials, you should have some idea of how much study you will need to complete this course. But "some idea" is not enough. You need to work up a personal study plan; the following steps should give you some help.

(A) Get a calendar and mark those days of the week when you have time free for study. Two study periods per week, each lasting 1 to 3 hours, are suggested for completing the minimum two study units required each month by MCI. Of course, work and other schedules are not the same for everyone. The important thing is that you schedule a regular time for study on the same days of each week.



(B) Read the course introduction page again. The section marked ORDER OF STUDIES tells you the number of study units in the course and the approximate number of study hours you will need to complete each study unit. Plug these study hours into your schedule. For example, if you set aside two 2-hour study periods each week and the ORDER OF STUDIES estimates 2 study hours for your first study unit, you could easily schedule and complete the first study unit in one study period. On your calendar you would mark "Study Unit 1" on the

# STUDY GUIDE

appropriate day. Suppose that the second study unit of your course requires 3 study hours. In that case, you would divide the study unit in half and work on each half during a separate study period. You would mark your calendar accordingly. Indicate on your calendar exactly when you plan to work on each study unit for the entire course. Do not forget to schedule one or two study periods to prepare for the final exam.

- (C) Stick to your schedule,

Besides planning your study time, you should also choose a study environment that is right for you. Most people need a quiet place for study, like a library or a reading lounge; other people study better where there is background music; still others prefer to study out-of-doors. You must choose your study environment carefully so that it fits your individual needs.

### III. STUDY THOROUGHLY AND SYSTEMATICALLY

Armed with a workable schedule and situated in a good study environment you are now ready to attack your course study unit by study unit. To begin, turn to the first page of study unit I. On this page you will find the study unit objective, a statement of what you should be able to do after completing the study unit.

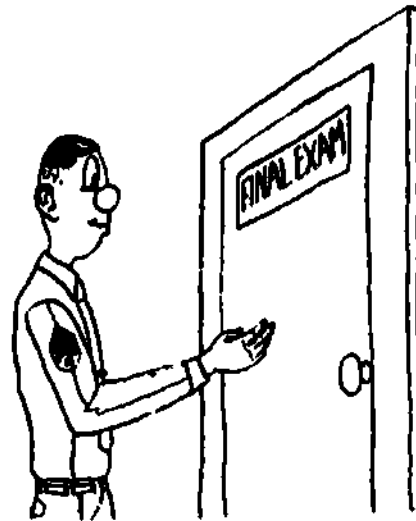
DO NOT begin by reading the work unit questions and flipping through the text for answers. If you do so, you will prepare to fail, not pass, the final exam. Instead, proceed as follows:

- (A) Read the objective for the first work unit and then read the work unit text carefully. Make notes on the ideas you feel are important.
- (B) Without referring to the text, answer the questions at the end of the work unit.
- (C) Check your answers against the correct ones listed at the end of the study unit.
- (D) If you miss any of the questions, reread the work unit until you understand the correct response.
- (E) Go on to the next work unit and repeat steps (A) through (D) until you have completed all the work units in the study unit.

Follow the same procedure for each study unit of the course. If you have problems with the text or work unit questions that you cannot solve on your own, ask your section OIC or NCOIC for help. If he cannot aid you, request assistance from MCI on the Student Course Content Assistance Request included with this course.

When you have finished all the study units, complete the course review lesson. Try to answer each question without the aid of reference materials. However, if you do not know an answer, look it up. When you have finished the lesson, take it to your training officer or NCO for mailing to MCI. MCI will grade it and send you a feedback sheet listing course references for any questions that you miss.

### IV. PREPARE FOR THE FINAL EXAM



How do you prepare for the final exam? Follow these four steps:

- (A) Review each study unit objective as a summary of what was taught in the course.
- (B) Reread all portions of the text that you found particularly difficult.
- (C) Review all the work unit questions, paying special attention to those you missed the first time around.
- (D) Study the course review lesson, paying particular attention to the questions you missed.

If you follow these simple steps, you should do well on the final. GOOD LUCK!

## STUDY UNIT 1

### BUDGET FORMULATION AND FINANCIAL PLANNING

**STUDY UNIT OBJECTIVE:** UPON SUCCESSFUL COMPLETION OF THIS STUDY UNIT, YOU WILL BE ABLE TO IDENTIFY THE THREE BASIC ELEMENTS OF A BUDGET, WHAT MUST BE CONSIDERED AND ACCOMPLISHED IN BUDGET PREPARATION, AND HOW TO COMPUTE A BUDGET. YOU WILL BE ABLE TO LIST TWO STEPS TO BE TAKEN PRIOR TO REQUESTING AN ADVANCE PAY FOR A PCS MOVE AND TO IDENTIFY HOW MUCH ADVANCE PAY TO REQUEST. YOU WILL ALSO BE ABLE TO IDENTIFY THE RATIO OF MATCHING FUNDS UNDER VEAP FOR EDUCATIONAL ASSISTANCE AND WHICH EDUCATIONAL ASSISTANCE PROGRAM YOU ARE COVERED UNDER. YOU WILL BE ABLE TO IDENTIFY INSURANCE REQUIREMENTS FOR SINGLE MARINES AND WILL BECOME FAMILIAR WITH ADDITIONAL INSURANCE PROGRAMS.

A budget can be defined as a plan or schedule for allocating known income to meet the obligations of known or estimated expenses. Briefly stated, a budget is a plan to spend, and if properly prepared and maintained, can be referred to as a plan for sound financial management.

#### Section I. THE BUDGET

##### Work Unit 1-1. ELEMENTS OF A BUDGET

###### IDENTIFY THE THREE BASIC ELEMENTS OF A BUDGET.

The three basic elements of a budget are net income (take-home pay,) fixed expenses, and variable expenses. Sources of net income include your monthly Marine Corps take-home pay, (total of amounts paid to you on the mid-month and end-of-month paydays,) and other income (net pay from a part-time job, net pay earned by your spouse, if employed, interest earned from savings accounts, etc.). Expenses are categorized as either fixed or variable expenses. Fixed expenses are those which are the same or almost the same every month, and variable expenses are those which vary from month to month. Examples of fixed expenses are rent or mortgage payments, car payments, installment payments on large purchases, utilities, and insurance premiums. Examples of variable expenses are food, clothing, automobile expenses (gas and oil), entertainment, necessities, and unforeseen expenses (emergencies, major home or auto repair, etc.). One other expense which may be variable in nature and should definitely be considered as an expense is savings. You should allot a portion of your monthly income towards savings. If this is not possible at present, perhaps a benefit of this course will be the ability to manage your finances so that you can implement a savings program in the future.

It is important to note that your net income will be used for budget preparation in this course as opposed to your gross income (total pay before any deductions have been made). This is because your net income is the amount you actually have available to meet payment of your obligations. Also, you should not attempt to prepare a budget based on anticipated income, but only on an income you are sure of. For instance, a standard of living based on additional income from a temporary part-time job would be difficult to lower when that income no longer exists. For this reason, and due to the rapid changes in today's economy, your budget must be reviewed and updated frequently, possibly every 3 months, in order to be properly maintained and effective.

**EXERCISE:** Answer the following questions and check your responses against those listed at the end of this study unit.

1. Briefly stated, a budget is a plan to
  - a. save.
  - b. spend.
  - c. reduce debts.
  - d. earn money.
  
2. What are the three basic elements of a budget?
  - a. Gross income, take-home pay, and known expenses
  - b. Gross income, fixed expenses, and variable expenses
  - c. Gross expenses, fixed income, and variable expenses
  - d. Net income, fixed expenses, and variable expenses

3. Expenses such as rent or mortgage payments, car payments, utilities, and insurance premiums are examples of what type of expenses? \_\_\_\_\_
4. In budget preparation, the amount of money you actually have available to meet payment of your obligations is known as your \_\_\_\_\_.

Work Unit 1-2. BUDGET PREPARATION

IDENTIFY WHAT MUST BE ACCOMPLISHED OR CONSIDERED IN BUDGET PREPARATION.

STATE WHAT THE KEY TO PROPER BUDGETING IS.

The first step in preparing a budget is to keep an accurate record of your income and expenses for a short period of time, but for at least 2 consecutive months. Income may be recorded as it is received or grouped into a total net monthly income. Expenses should be categorized as either fixed or variable, as shown in figure 1-1, and recorded on the basis in which they fall due. The categories listed in figure 1-1 are provided only as an example. Each individual must decide for himself what categories should be used in his personal budget. Most fixed expenses fall due on a monthly basis, and most variable expenses fall due on a weekly or daily basis. When keeping a record of your expenses, do not try to account for every dollar spent. A certain amount of money will always be unaccounted for. Likewise, do not record numerous miscellaneous expenses under a "catch-all" category. It is amazing how quickly these expenses can add up into a sizeable amount. Expenses which fall into a miscellaneous status should be clearly identified and categorized under "other" expenses. Otherwise, a true picture of how money was spent on these expenses will not be presented.

<u>RECORD OF EXPENSES</u>	<u>1st week</u>	<u>2d week</u>	<u>3d week</u>	<u>Monthly or 4th week</u>	<u>Total spent for month</u>
<b><u>FIXED EXPENSES</u></b>					
Rent or mortgage payment	\$ _____	_____	_____	<u>400</u>	\$ <u>400</u>
<b>Utilities:</b>					
Gas bill	\$ _____	_____	_____	<u>34</u>	\$ <u>34</u>
Electric bill	\$ _____	_____	_____	<u>101</u>	\$ <u>101</u>
Water bill	\$ _____	_____	_____	<u>18</u>	\$ <u>18</u>
Telephone bill	\$ _____	_____	_____	<u>21</u>	\$ <u>21</u>
Other (identify)	\$ _____	_____	_____	<u>-</u>	\$ <u>-</u>
Automobile payment	\$ _____	_____	_____	<u>160</u>	\$ <u>160</u>
Furniture or appliance payment	\$ _____	_____	_____	<u>32</u>	\$ <u>32</u>
Insurance premiums	\$ _____	_____	_____	<u>32</u>	\$ <u>32</u>
Other (identify and list separately)	\$ _____	_____	_____	<u>-</u>	\$ <u>-</u>
<b><u>VARIABLE EXPENSES</u></b>					
Food	\$ <u>75</u>	<u>48</u>	<u>43</u>	<u>39</u>	\$ <u>205</u>
Automobile expenses	\$ <u>21</u>	<u>50</u>	<u>21</u>	<u>29</u>	\$ <u>101</u>
Clothing	\$ <u>49</u>	<u>12</u>	<u>21</u>	<u>16</u>	\$ <u>98</u>
Necessities (cosmetics, laundry, barber, etc.)	\$ <u>28</u>	<u>12</u>	<u>37</u>	<u>23</u>	\$ <u>100</u>
Entertainment	\$ <u>16</u>	<u>8</u>	<u>11</u>	<u>13</u>	\$ <u>48</u>
Savings	\$ <u>-</u>	<u>80</u>	<u>-</u>	<u>80</u>	\$ <u>160</u>
Other (identify and list separately)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	\$ <u>-</u>

Fig 1-1. Record of expenses.

You should give further consideration regarding fixed and variable expenses, since those recorded for a 2-month period probably do not represent all of your expenses. Other expenses may be due on a quarterly, semiannual, or annual basis as opposed to monthly. Also, you may encounter emergency expenses, such as home repairs, automobile repairs, emergency leave, etc. Therefore, the key to proper budgeting is to keep complete and accurate records which take all known and foreseeable expenses into consideration.

One final note concerning budget preparation is that allotment deductions should not be listed as an expense in a budget format. If you do have allotments deducted from your Marine Corps pay, you should show them as footnotes to remind yourself that part of your monthly income is being spent as a means to help support dependents, to pay insurance premiums or loan installments, for savings or the purchase of savings bonds, or for whatever purpose the allotment is intended.

**EXERCISE:** Answer the following questions and check your response against those listed at the end of this study unit.

1. In budget preparation, miscellaneous expenses should be placed in what category?
  - a. A "catch all" category
  - b. The category they most closely resemble
  - c. An "other" expenses category and clearly defined
  - d. As a footnote to remind you of what was spent
  
2. When first beginning budget preparation, a record of fixed and variable expenses should be kept
  - a. on a quarterly basis.
  - b. on a semiannual basis.
  - c. on a weekly basis for one month.
  - d. for at least 2 consecutive months.
  
3. The key to proper budgeting is \_\_\_\_\_.

**Work Unit 1-3. BUDGET COMPUTATION**

**COMPUTE A BUDGET.**

Various methods of approach exist with regard to budget computation. One of the most effective, and the one which will be presented here, is to establish a certain percentage of your net income to be applied toward each expense or obligation you have or will incur. One of the most difficult facets of this or any budget computation is in determining what percent of your income should be applied to each expense category. There are no set percentages. You must determine your own and adjust them as necessary. However, percentages to be applied towards fixed expenses should not change as much or as often as those applied toward variable expenses. Since you will always know how much your rent or mortgage payment, insurance payment, or automobile or other large purchase payment will be, you can establish a set percentage by dividing the amount of the fixed expense by your monthly net income.

For example, assume that your monthly net income is \$1600, and your monthly rent payment is \$400. You can determine that 25 percent must be allotted for the fixed rent expense, computed as follows:

Divide the expense (\$400) by the monthly net income (\$1600)

$$0.25 = 25/100, \text{ or } 25\%$$

$$\begin{array}{r} \$1600 \overline{) \$400.00} \\ \underline{320 \ 0} \\ 80 \ 00 \\ \underline{80 \ 00} \end{array}$$

As another example, suppose you purchased furniture on a time payment plan and your monthly payment is \$32. The percentage of your monthly net income for this expense would be 2 percent, computed as follows:

Divide the expense (\$32) by the monthly net income (\$1600)

$$.02 = 2/100, \text{ or } 2\%$$

$$\begin{array}{r} \$1600 \overline{) \$32.00} \\ \underline{32 \ 00} \end{array}$$

By first establishing a certain percentage of your income to be applied toward fixed expenses, you can determine how much of your monthly net income will be left to apply towards variable expenses. For instance, if you have determined that 60 percent of your monthly net income must be applied toward fixed expenses, then the remainder of your monthly net income, 40 percent, is available to spend toward variable expenses.

To compute what percentage of your monthly net income is to be applied toward variable expenses, multiplication is used instead of division. Simply multiply your monthly net income by the estimated percentage rate. The percentage rate must first be changed to a decimal by placing a decimal point to the left of the rate, i.e., 16 percent would be .16, 30 percent would be .30, 4 percent would be .04, 9 percent would be .09, etc. For example, again assume that your monthly net income is \$1600, and you estimate that 15 percent of your net income should be allotted for the purchase of food and groceries each month. This would result in a monthly budget expenditure of \$240, computed as follows:

Multiply the monthly net income (\$1600) by the estimated percentage (.15)

$$\begin{array}{r}
 \$1600.00 \\
 \times .15 \\
 \hline
 80000 \\
 160000 \\
 \hline
 \$240.0000 = \$240.00
 \end{array}$$

Or, suppose that you establish an estimate of 7 percent of your monthly net income for necessities. The result would be that you have budgeted \$112 for that expense category, computed as follows:

Multiply the monthly net income (\$1600) by the estimated percentage (.07)

$$\begin{array}{r}
 \$1600.00 \\
 \times .07 \\
 \hline
 112.0000 = \$112.00
 \end{array}$$

When considering which expenses should be categorized as fixed or variable, it should be noted that although your utility bills will vary from month to month (depending on usage), the percentage allotted for their payment should remain close to the same. Also, depending on the area where you live, it may be possible to have certain utility companies establish an estimated monthly bill, which will be the same amount regardless of usage. In this event, expenses for utilities would vary only once or twice a year, or however often the utility company makes required adjustments.

After determining what percentage of your monthly net income should be allotted for each expense category, record the percentages and the amount budgeted in a format similar to that shown in figure 1-2. Then, record the amounts actually spent for each category as itemized on the record of expenses shown in figure 1-1. Next, compute and record the difference in the amount budgeted and actually spent in the column entitled "Balance Remaining (+) or Overspent (-)." If the amount spent is less than the amount budgeted, record a plus sign (+) in front of the figure, indicating that you spent less than the amount budgeted. If the amount spent exceeds the amount budgeted, record a minus sign (-), indicating that you spent more than the amount budgeted. Finally, total each column on the record. To verify that you have accurately computed the record, follow these rules:

- The percentage budgeted column must total 100 percent.
- The amount budgeted column must equal the amount of your monthly net income.
- When a balance remaining (+) amount exists, that total and the total amount spent must equal the total amount budgeted. (An example of this is shown in figure 1-2. The balance remaining (\$+69) when added to the amount spent (\$1531) equals the total amount budgeted (\$1600).)
- When a balance overspent (-) amount exists, that total and the total amount budgeted must equal the total amount spent. For example, an amount overspent (-) of \$-69, when added to an amount budgeted of \$1600, would mean that the total amount spent would have to be \$1669.



<u>Expense Category</u>	<u>Percentage Budgeted</u>	<u>Amount Budgeted</u>	<u>Amount Spent</u>	<u>Balance Remaining (+)</u>	<u>Balance Overspent (-)</u>
Housing and utilities	<u>35%</u>	<u>\$ 560</u>	<u>574</u>	<u>\$ -0-</u>	<u>\$ -14</u>
Automobile payment	<u>10%</u>	<u>\$ 160</u>	<u>160</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Furniture payment	<u>2%</u>	<u>\$ 32</u>	<u>32</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Insurance premiums	<u>2%</u>	<u>\$ 32</u>	<u>32</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Food	<u>15%</u>	<u>\$ 240</u>	<u>205</u>	<u>\$ +35</u>	<u>\$ -0-</u>
Automobile expenses	<u>8%</u>	<u>\$ 128</u>	<u>101</u>	<u>\$ +27</u>	<u>\$ -0-</u>
Clothing	<u>5%</u>	<u>\$ 80</u>	<u>98</u>	<u>\$ -0-</u>	<u>\$ -18</u>
Necessities	<u>7%</u>	<u>\$ 112</u>	<u>100</u>	<u>\$ +12</u>	<u>\$ -0-</u>
Entertainment	<u>4%</u>	<u>\$ 64</u>	<u>48</u>	<u>\$ +16</u>	<u>\$ -0-</u>
Savings	<u>10%</u>	<u>\$ 160</u>	<u>160</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Other (identify and list separately)	<u>2%</u>	<u>\$ 32</u>	<u>21</u>	<u>\$ +11</u>	<u>\$ -0-</u>
<b>Totals:</b>	<u><u>100%</u></u>	<u><u>\$ 1600</u></u>	<u><u>\$ 1531</u></u>	<u><u>\$ +101</u></u>	<u><u>\$ -32</u></u>
Difference in balance remaining and balance overspent for the month				\$ +101	\$ -32
				<u>\$ +69</u>	

Fig 1-2. Record of budget percentage estimates and amounts spent.

After computing, recording, and verifying your figures, you can now analyze your financial situation. Are you spending too much money on clothing or entertainment? Are your automobile expenses too high? Are your percentage estimates in line with what was actually spent? As you can easily see where you have overspent or overbudgeted, it will now be obvious to you which areas within your budget require adjustment or remedial action.

As a final step in budget computation, a monthly budget summary should be prepared similar to that shown in figure 1-3. This will provide a convenient summation of your total income and expenses on a continuing monthly basis and will serve to determine whether or not you are staying within the budget you have established. If your monthly expenses greatly exceed your net monthly income, immediate action must be taken to remedy the problem. Bear in mind that you must begin to exercise extreme caution in your current spending. Obviously, you cannot easily reduce your fixed expenses, so you must attempt to reduce the amount spent for variable expenses. You may need to obtain a temporary part-time job if not already working one. Another possibility would be to obtain a consolidation loan to repay or reduce some of your fixed expenses, but this should be done as a last resort and not considered until all other alternatives are evaluated and eliminated.

On the other hand, if you determine that you are within your budget and have income in excess of your expenses, it would be wise to increase the percentage of your income allotted for savings. This is assuming that the additional income can be applied toward savings on a regular basis. Otherwise, the additional income should be deposited to savings as it occurs. The temptation to spend the extra money as a "reward" for staying within your budget will be great, but must be avoided.

MONTHLY BUDGET SUMMARY - FEB 1981

NET MONTHLY INCOME

Your take-home pay	<u>\$ 1200</u>
Other income (interest earned, take-home pay from part-time job)	<u>\$ -</u>
Spouse's take-home pay	<u>\$ 400</u>
Total net monthly income	<u>\$ 1600</u>

MONTHLY EXPENSES

FIXED EXPENSES

Rent or home mortgage payment	<u>\$ 400</u>
Automobile payment	<u>\$ 160</u>
Furniture payment	<u>\$ 32</u>
Utilities (electric, gas, telephone)	<u>\$ 174</u>
Insurance premium	<u>\$ 32</u>
Other ( identify and list separately)	<u>\$ -</u>

VARIABLE EXPENSES

Food	<u>\$ 205</u>
Auto expense (gasoline, etc.)	<u>\$ 101</u>
Clothing	<u>\$ 98</u>
Necessities	<u>\$ 100</u>
Entertainment	<u>\$ 49</u>
Savings	<u>\$ 160</u>
Other (identify and list separately)	<u>\$ 21</u>
Total monthly expenses	<u>\$ 1531</u>

Balance remaining (+) or overspent (-) (Subtract the total monthly expenses from the total net monthly income)	<u>\$ +69</u>
--	---------------

Fig 1-3. Monthly budget summary.

**EXERCISE:**

The following record reveals a Marine's expenses on a monthly and weekly basis. Add and record the total of each expense in the column entitled "Total spent for month." After completion, also fill out the next two forms. Upon completion of the entire exercise, verify your work with the completed forms at the end of this study unit.

<u>RECORD OF EXPENSES</u>	<u>1st week</u>	<u>2d week</u>	<u>3d week</u>	<u>Monthly or 4th week</u>	<u>Total spent for month</u>
<b><u>FIXED EXPENSES</u></b>					
Rent or mortgage payment \$	_____	_____	_____	<u>\$350.00</u>	\$ _____
Utilities:					
Gas bill	\$ _____	_____	_____	<u>24.00</u>	\$ _____
Electric bill	\$ _____	_____	_____	<u>102.00</u>	\$ _____
Water bill	\$ _____	_____	_____	<u>8.00</u>	\$ _____
Telephone bill	\$ _____	_____	_____	<u>14.00</u>	\$ _____
Child Care	\$ _____	_____	_____	<u>140.00</u>	\$ _____
Automobile payment	\$ _____	_____	_____	<u>98.00</u>	\$ _____
Furniture or appliance payments	\$ _____	_____	_____	<u>28.00</u>	\$ _____
Insurance premiums	\$ _____	_____	_____	<u>28.00</u>	\$ _____
<b><u>VARIABLE EXPENSES</u></b>					
Food	<u>\$52.00</u>	<u>41.00</u>	<u>64.00</u>	<u>58.00</u>	\$ _____
Automobile expenses	<u>\$20.00</u>	<u>12.00</u>	<u>22.00</u>	<u>16.00</u>	\$ _____
Clothing	<u>\$22.00</u>	<u>25.00</u>	<u>16.00</u>	<u>18.00</u>	\$ _____
Necessities (cosmetics, laundry, barber, etc.)	<u>\$18.00</u>	<u>20.00</u>	<u>24.00</u>	<u>31.00</u>	\$ _____
Entertainment	<u>\$25.00</u>	<u>16.00</u>	<u>23.00</u>	<u>28.00</u>	\$ _____
Savings	\$ _____	<u>35.00</u>	_____	<u>35.00</u>	\$ _____
Other: Birthday present	<u>\$10.00</u>	_____	_____	_____	_____
Postage stamps	\$ _____	_____	<u>3.00</u>	_____	_____
Book Club	<u>\$ 5.00</u>	_____	_____	_____	\$ _____

Assuming that your monthly income is \$900 and your spouse's is \$500, complete the next form using the following steps:

1. Change the percentages budgeted to decimal figures. For example, the housing expense budgeted at 20 percent would be .20; utilities budgeted at 9 percent would be .09, etc.
2. Multiply the monthly net income (\$1400) by the decimal equivalent of the percentage budgeted for each expense category. Record your answers in the "Amount Budgeted" column.
3. Using the amounts computed on the record of expenses from the previous page, record the total amount spent for each category in the column entitled "Amount Spent."
4. Next, figure the difference between the amount budgeted and the amount spent for each expense category. Record your answers in the column entitled "Bal. remaining (+) or overspent (-)." Remember to indicate what the difference represents, either a plus (+) or a minus (-) figure. An amount spent which is less than the amount budgeted results in a plus (+) figure. An amount spent which is more than the amount budgeted results in a minus (-) figure.
5. Total and record the "Amount Spent" and "Bal. remaining (+) or overspent (-)" columns. After completion, go on to the next phase of this exercise.

<u>Expense Category</u>	<u>Percentage Budgeted</u>	<u>Amount Budgeted</u>	<u>Amount Spent</u>	<u>Balance Remaining (+)</u>	<u>Balance Overspent (-)</u>
Housing	25%	\$ _____	\$ _____	\$ _____	\$ _____
Utilities (Gas, Electric, etc.)	10%	_____	_____	_____	_____
Automobile payment	7%	_____	_____	_____	_____
Furniture payment	2%	_____	_____	_____	_____
Insurance premiums	2%	_____	_____	_____	_____
Child care	10%	_____	_____	_____	_____
Food	15%	_____	_____	_____	_____
Automobile expenses	6%	_____	_____	_____	_____
Clothing	6%	_____	_____	_____	_____
Necessities	6%	_____	_____	_____	_____
Entertainment	4%	_____	_____	_____	_____
Savings	5%	_____	_____	_____	_____
Other: (Book club, Birthday present and Postage stamps)	2%	_____	_____	_____	_____
<b>Totals:</b>	<b>100%</b>	<b><u>\$1400.00</u></b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
Difference in balance remaining and balance overspent for the month				\$+ _____	\$ _____

On the monthly budget summary which follows, record and total the net monthly income and monthly expenses (as obtained from the two previous phases of this exercise), and compute the difference. To verify that the summary has been prepared correctly, compare the balance remaining (+) or overspent (-) figure at the bottom of the summary with the balance remaining (+) or overspent (-) column total from the previous form. The figures must agree.

**MONTHLY BUDGET SUMMARY - JUNE 1981**

**NET MONTHLY INCOME**

Your take-home pay	\$ _____
Other income (interest earned, take-home pay from part-time job)	\$ _____
Spouse's take-home pay	\$ _____
Total net monthly income	\$ _____

**MONTHLY EXPENSES**

**FIXED EXPENSES**

Rent or home mortgage payment	\$ _____
Automobile payment	\$ _____
Furniture payment	\$ _____
Utilities (electric, gas, telephone)	\$ _____
Insurance premium	\$ _____
Other: child care	\$ _____
book club	\$ _____

**VARIABLE EXPENSES**

Food	\$ _____
Auto expense (gasoline, etc.)	\$ _____
Clothing	\$ _____
Necessities	\$ _____
Entertainment	\$ _____
Savings	\$ _____
Other: birthday present	\$ _____
postage stamps	\$ _____
Total monthly expenses	\$ _____
Balance remaining (+) or overspent (-)	
(Subtract the total monthly expenses from the total net monthly income)	\$ _____

**Section II. FINANCIAL PLANNING**

**Work Unit 1-4. FINANCIAL PLANNING**

**LIST THE TWO STEPS YOU SHOULD TAKE BEFORE REQUESTING ADVANCE PAY FOR A PCS MOVE AND HOW MUCH ADVANCE PAY SHOULD BE REQUESTED.**

**IDENTIFY THE RATIO OF FUNDS PROVIDED BY THE VETERANS ADMINISTRATION FOR EDUCATIONAL ASSISTANCE AND WHICH PROGRAM YOU ARE COVERED UNDER FOR EDUCATIONAL ASSISTANCE.**

**IDENTIFY INSURANCE REQUIREMENTS FOR SINGLE MARINES.**

Common occurrences which will affect even the most carefully planned and maintained budget are permanent change of station (PCS) moves or temporary additional duty (TAD) orders. Most Marines will be subject to one or more PCS moves or sets of TAD orders during the term of an enlistment. However, sound financial planning will greatly assist when either occurs.

Numerous expenses out of the ordinary will develop during a permanent change of duty station. There will be costs incurred for transporting your dependents from the old to the new duty station. Other costs may be incurred if you choose to take leave en route to the new duty station. If you are being transferred to an area where dependents are restricted from accompanying you, it is possible that you will want to or be required to move your dependents to another location, away from the old duty station, incurring even more expenses. Some duty stations do not have base housing, and the Marine and his family must reside in housing which must be either rented or purchased. There will be expenses at the old duty station, such as packing and moving, repair or cleanup of the premises being vacated, delayed return of your security deposit and utility deposits if you had these at the old station, expenses and possible problems selling your home at the old duty station if you owned property there, an interruption in your spouse's income, etc. There will also be additional expenses at the new duty station, such as new security and utility deposits, possibly the need for new appliances or furnishings, the purchase of lawn and garden equipment, etc.

Some of the items mentioned above are costs which you may eventually be reimbursed for (such as transportation and dislocation allowance), and some are costs for which you will not be reimbursed. Often, a Marine requests an advance payment to cover these extra expenses.

The option of receiving an advance payment when making a permanent change of station move is available to most Marines. However, when you take an advance payment, a portion of the repayment is deducted each payday until the total amount has been repaid. Your total income may be less (no income from spouse's employment, higher living costs at the new station, etc.) and your military pay will be less because of deductions for repayment of the advance pay.

There are two steps which you should take in preparation for a PCS move prior to requesting an advance pay. First, reduce your spending for variable expenses. By keeping variable expenses as low as possible, you should be able to increase your savings and utilize the money saved for the new expenses you will incur. Second, prepare a new budget which will take into consideration the new expenses you will incur. The budget should cover a period of at least through the second month at the new duty station. Also, take into consideration the possible loss of income if your spouse will not start working right away at the new duty station. Identify the anticipated differences in fixed and variable expenses at the new duty station. Will rent and utilities be higher or lower? Will you be driving further to work each day? Will new clothing be required due to a climate change?

After preparing the new budget, you will be able to determine whether or not you will need to receive an advance pay. If an advance pay is required, draw only the amount you think you will actually need, as opposed to receiving the maximum amount allowed. In the long run, it may even be better to use part of your savings for the new expenses you will incur. Bear in mind that you do not want to deplete your savings; only use savings if you will still have a healthy reserve.

A permanent change of station move does not have to be a financial disaster to you and your family. Take advantage of the fact that you usually have advance notice of a PCS move, plan soundly, and no hardship should occur.

The same applies when a Marine is subject to TAD orders, which involves a journey of varying length away from and back to the permanent duty station. Whether married or single, additional expenses are sure to arise when going TAD. But again, advance notice of TAD orders is usually given, and sound financial planning will ensure that only minimum budget adjustments have to be made.

Savings, education costs, and life insurance are other important facets of financial planning. Savings, however, is so important and so broad an area, it will be covered in the next study unit within this course. With regard to education, your financial plans should include a provision for education costs, whether you are a career Marine or planning to resume civilian life when your enlistment ends. Marines are encouraged to enroll in evening college courses and to contact their education officer concerning courses that may be given on site during normal duty hours.

You should also be familiar with the educational assistance programs for veterans: the G.I. Bill and the Veterans Educational Assistance Program (VEAP). Most Marines have probably heard of the G.I. Bill, wherein the Veterans Administration (VA) pays tuition costs and some living costs for veterans who are enrolled in a qualified college or training school and maintain a successful academic grade. The G.I. Bill, which covers Marines that enlisted on 31 December 1976 or earlier, will be terminated on 31 December 1989, and all benefits must be used by that date.

Marines enlisting after 31 December 1976 are not covered under the G.I. Bill. However, the Post-Vietnam Era Veterans' Assistance Act of 1977 established a new VA contributory educational assistance program. Personnel who initially enter the military services after 31 December 1976 have the right to participate in this plan. This plan involves the VA matching a service member's contributions to an educational fund on a 2-for-1 basis and is referred to as the Veterans Educational Assistance Program (VEAP).

Detailed information concerning the G.I. Bill and VEAP can be obtained from your education officer.

Sound financial planning must also include consideration of life insurance. Each Marine owes it to himself and to his family to have an adequate life insurance program. The insurance coverage offered by Servicemen's Group Life Insurance (SGLI) is often sufficient for the single Marine, yet Marines with families need maximum protection at a minimum cost. This should include coverage for your spouse and, if applicable, your children. Many insurance companies offer a "family life coverage" policy which has add-on life insurance coverage for the spouse and family of the main person insured, often at extremely reasonable prices for the amount of coverage provided.

Further, if you depend on additional income from a spouse who also works, it may be wise to carry a "hospital cash insurance plan" which pays a set amount of cash for each day of hospitalization. This would greatly assist in recovering from a temporary loss of income if a working spouse must be hospitalized. The important thing to remember about any type of insurance is to shop for rates before buying a policy, as rates will vary widely between insurance companies. You may also request advice from your insurance officer or legal assistance officer if you are in doubt about what insurance you should carry.

One other thing you should consider is starting an insurance allotment from your Marine Corps pay. This is the easiest way to make monthly payments for insurance premiums. You need not worry about mailing your payment or making sure it is sent on time, since the premium is automatically deducted from your pay.

**EXERCISE:** Answer the following questions and check your responses against those listed at the end of this study unit.

1. Two steps which should be taken prior to requesting an advance pay for an impending PCS move are:
  - a. \_\_\_\_\_.
  - b. \_\_\_\_\_.
2. If you request an advance pay in conjunction with a PCS move, you should draw
  - a. the maximum amount allowed.
  - b. only as much as is needed.
  - c. enough to make security and utility deposits at the new duty station.
  - d. enough to transport your dependents to the new duty station.
3. In financial planning for a PCS move, one advantage is the fact that you usually have \_\_\_\_\_.
4. Under the Veterans Educational Assistance Program (VEAP), the Veterans Administration will match a service member's contribution toward an education fund on a
  - a. 1-for-1 basis.
  - b. 2-for-1 basis.
  - c. 3-for-1 basis.
  - d. 4-for-1 basis.

5. Assuming that you enlisted in the Marine Corps on 1 January 1977, you can obtain educational assistance through
  - a. VEAP.
  - b. the G.I. Bill.
  - c. VEAP and the G.I. Bill.
  
6. Servicemen's Group Life Insurance (SGLI) is usually sufficient coverage for
  - a. married Marines.
  - b. married Marines with families.
  - c. single Marines.
  - d. married Marines with a spouse who also works.

#### SUMMARY REVIEW

In this study unit, you learned that the three basic elements of a budget are net income, fixed expenses, and variable expenses. You learned what must be accomplished or considered in budget preparation, and how to compute a budget by applying a percentage of your income to all of your expenses. You learned that you should begin to reduce spending for variable expenses and to prepare a new budget in preparation for a PCS move. You learned that you should only draw as much advance pay as is needed for a PCS move, as opposed to the maximum amount allowed. You learned that under the Veterans Educational Assistance Program, you can receive matching funds on a 2-to-1 ratio, and which educational assistance program you are eligible for. You also learned what insurance requirements are recommended for Marines, and that Servicemen's Group Life Insurance is usually sufficient coverage for single Marines.

#### Answers to Study Unit #1 Exercises

##### Work Unit 1-1.

1. b.
2. d.
3. fixed expenses.
4. net income.

##### Work Unit 1-2.

1. c.
2. d.
3. The key to proper budgeting is to keep complete and accurate records which take into consideration all known and foreseeable expenses.



Work Unit 1-3.

<u>RECORD OF EXPENSES</u>	<u>1st week</u>	<u>2d week</u>	<u>3d week</u>	<u>Monthly or 4th week</u>	<u>Total spent for month</u>
<b><u>FIXED EXPENSES</u></b>					
Rent or mortgage payment	\$ _____	_____	_____	<u>\$350.00</u>	<u>\$350.00</u>
Utilities:					
Gas bill	\$ _____	_____	_____	<u>24.00</u>	<u>\$ 24.00</u>
Electric bill	\$ _____	_____	_____	<u>102.00</u>	<u>\$102.00</u>
Water bill	\$ _____	_____	_____	<u>8.00</u>	<u>\$ 8.00</u>
Telephone bill	\$ _____	_____	_____	<u>14.00</u>	<u>\$ 14.00</u>
Child care	\$ _____	_____	_____	<u>140.00</u>	<u>\$140.00</u>
Automobile payment	\$ _____	_____	_____	<u>98.00</u>	<u>\$ 98.00</u>
Furniture or appliance payment	\$ _____	_____	_____	<u>28.00</u>	<u>\$ 28.00</u>
Insurance premiums	\$ _____	_____	_____	<u>28.00</u>	<u>\$ 28.00</u>
<b><u>VARIABLE EXPENSES</u></b>					
Food	<u>\$52.00</u>	<u>41.00</u>	<u>64.00</u>	<u>58.00</u>	<u>\$215.00</u>
Automobile expenses	<u>\$20.00</u>	<u>12.00</u>	<u>22.00</u>	<u>16.00</u>	<u>\$ 70.00</u>
Clothing	<u>\$22.00</u>	<u>25.00</u>	<u>16.00</u>	<u>18.00</u>	<u>\$ 81.00</u>
Necessities (cosmetics, laundry, barber, etc.)	<u>\$18.00</u>	<u>20.00</u>	<u>24.00</u>	<u>31.00</u>	<u>\$ 93.00</u>
Entertainment	<u>\$25.00</u>	<u>16.00</u>	<u>23.00</u>	<u>28.00</u>	<u>\$ 92.00</u>
Savings	\$ _____	<u>35.00</u>	_____	<u>35.00</u>	<u>\$ 70.00</u>
Other: Birthday present	<u>\$10.00</u>	_____	_____	_____	
Postage stamps	\$ _____	_____	<u>3.00</u>	_____	
Book Club	<u>\$ 5.00</u>	_____	_____	_____	<u>\$ 18.00</u>

<u>Expense Category</u>	<u>Percentage Budgeted</u>	<u>Amount Budgeted</u>	<u>Amount Spent</u>	<u>Balance Remaining (+)</u>	<u>Balance Overspent (-)</u>
Housing	25%	<u>\$350.00</u>	<u>\$350.00</u>	\$ -0-	\$ -0-
Utilities	10%	<u>140.00</u>	<u>149.00</u>	-0-	- 8.00
Automobile payment	7%	<u>98.00</u>	<u>98.00</u>	-0-	-0-
Furniture payment	2%	<u>28.00</u>	<u>28.00</u>	-0-	-0-
Insurance premiums	2%	<u>28.00</u>	<u>28.00</u>	-0-	-0-
Child care	10%	<u>140.00</u>	<u>140.00</u>	-0-	-0-
Food	15%	<u>210.00</u>	<u>215.00</u>	-0-	- 5.00
Automobile expenses	8%	<u>84.00</u>	<u>70.00</u>	+14.00	-0-
Clothing	8%	<u>84.00</u>	<u>81.00</u>	+ 3.00	-0-
Necessities	6%	<u>84.00</u>	<u>93.00</u>	-0-	- 9.00
Entertainment	4%	<u>56.00</u>	<u>92.00</u>	-0-	-36.00
Savings	5%	<u>70.00</u>	<u>70.00</u>	-0-	-0-
Other	2%	<u>28.00</u>	<u>18.00</u>	+10.00	-0-
<b>Totals:</b>	<b>100%</b>	<b><u>\$1400.00</u></b>	<b><u>\$ 1431.00</u></b>	<b>\$ + 27.00</b>	<b>\$- 58.00</b>
<b>Difference in balance remaining and balance overspent for the month</b>				<b>\$+27.00</b>	<b>\$-58.00</b>
				<b><u>\$-31.00</u></b>	

MONTHLY BUDGET SUMMARY - JUNE 1981

NET MONTHLY INCOME

Your take-home pay	<u>\$ 900.00</u>
Other income (interest earned, take-home pay from part-time job)	<u>- 0-</u>
Spouse's take-home pay	<u>500.00</u>
Total net monthly income	<u>\$1400.00</u>

MONTHLY EXPENSES

FIXED EXPENSES

Rent or home mortgage payment	<u>\$ 350.00</u>
Automobile payment	<u>98.00</u>
Furniture payment	<u>28.00</u>
Utilities (electric, gas, telephone, water)	<u>148.00</u>
Insurance premium	<u>28.00</u>
Child care	<u>140.00</u>

VARIABLE EXPENSES

Food	<u>\$ 215.00</u>
Automobile expense (gasoline, etc.)	<u>70.00</u>
Clothing	<u>81.00</u>
Necessities	<u>93.00</u>
Entertainment	<u>92.00</u>
Savings	<u>70.00</u>
Other: Birthday present	<u>10.00</u>
Postage stamps	<u>3.00</u>
Book Club	<u>5.00</u>
Total monthly expenses	<u>\$1431.00</u>

Balance remaining (+) or overspent (-) (Subtract the total monthly expenses from the total net monthly income)	<u>\$ -31.00</u>
--	------------------

Work Unit 1-4.

1. a. Reduce spending for variable expenses.  
b. Prepare a new budget which will take into consideration the new expenses you will incur.
2. b.
3. advance notice of a FOS move.
4. b.
5. a.
8. c.

## STUDY UNIT 2

### FINANCIAL ORGANIZATIONS, CHECKING ACCOUNTS, SAVINGS ACCOUNTS, AND DIRECT DEPOSIT

**STUDY UNIT OBJECTIVE:** UPON SUCCESSFUL COMPLETION OF THIS STUDY UNIT, YOU WILL BE ABLE TO IDENTIFY AT LEAST THREE SERVICES OFFERED BY FINANCIAL ORGANIZATIONS. YOU WILL BE ABLE TO STATE THE MOST IMPORTANT REASON FOR HAVING A CHECKING ACCOUNT AND TO DEFINE THE TERMS DEPOSIT SLIP, CHECK REGISTER, CHECK, AND BANK STATEMENT. YOU WILL BE ABLE TO PREPARE CHECKING ACCOUNT DOCUMENTS, TO IDENTIFY THE TYPES OF CHECK ENDORSEMENTS, AND TO RECONCILE A CHECKING ACCOUNT. YOU WILL BE ABLE TO IDENTIFY WHICH TYPE OF FINANCIAL ORGANIZATION OFFERS THE LOWEST INTEREST RATE ON SAVINGS AND WHICH TYPE BASES ITS MEMBERSHIP ON A COMMON BOND. YOU WILL BE ABLE TO STATE WHY IT IS UNWISE TO PLACE ALL OF YOUR SAVINGS IN A SPECIFIED TERM SAVINGS ACCOUNT. YOU WILL ALSO BE ABLE TO LIST THE FOUR BENEFITS OFFERED TO MARINES PARTICIPATING IN DIRECT DEPOSIT, WHERE TO GO TO ELECT PARTICIPATION IN DIRECT DEPOSIT, AND HOW TO DETERMINE THE AMOUNT DEPOSITED TO YOUR ACCOUNT UNDER DIRECT DEPOSIT.

#### Section I. FINANCIAL ORGANIZATIONS

Banks, savings and loan associations, credit unions, and other types of financial organizations perform various services. In the past, most financial organizations had a specialized (and usually limited) function. Banks were considered mainly for checking accounts, savings accounts, and loans; savings and loan associations offered savings accounts and loans, and credit unions were used for employees' savings accounts and loans for automobiles, furniture, appliances, vacations, etc. Federal and state laws limited the scope of service that each type of financial organization could offer. Recently, some of these laws were changed, allowing the various financial organizations to offer more diversified services. Some of the services available are combination accounts, bill paying accounts, credit union share draft accounts, the use of credit cards with checking accounts, and special services offered by certain banks on large military installations. All will be discussed in this section.

#### Work Unit 2-1. SERVICES OFFERED BY FINANCIAL ORGANIZATIONS

##### IDENTIFY AT LEAST THREE SERVICES OFFERED BY DIFFERENT TYPES OF FINANCIAL ORGANIZATIONS.

Normal checking and savings accounts will be discussed in detail later in this study unit. This work unit will provide information about services being offered by some banks, savings and loan associations, and credit unions. The services are as follows:

● **Combination accounts.** Certain commercial banks and savings and loan associations now offer what is termed a "combination checking-savings" account. Money can be deposited and earn interest as in a savings account, but at the same time, the funds deposited are also available to cover checks written on the account as if it were a regular checking account. This permits you to receive interest on the unused funds in your "combination checking-savings" account and also write checks to cover your expenses. A service charge is sometimes assessed for this account and a minimum balance is usually required.

The combination account is not available at all banks or savings and loan associations. If you believe that this service would be beneficial to you, detailed information should be obtained from your financial organization. As the amount of the service charge and the minimum balance required will vary, you should compare the amounts required at banks and savings and loan associations in your area.

● **Bill paying accounts.** Some savings and loan associations are offering a combination savings and bill paying account. Funds are deposited in the savings account and the depositor requests the payment of specific amounts for various purposes. This permits you to earn interest on all of your funds except the portion that you request to be used for payment of specific bills. Bills for fixed expenses (i.e., rent or house payments, car payments, furniture payments, etc.) can be set up for automatic payment each month. Bills for which the amount varies (i.e., utilities, gasoline and other credit card purchases, etc.) can be set up for payment by use of telephone calls using special codes and numbers. Savings and loan associations usually charge a fee for this service, but the payment is forwarded by them, saving you time and postage. More information about this type of account can be obtained at your savings and loan association.

● **Credit union share draft accounts.** Share draft accounts, which are offered by some credit unions, permit you to make share withdrawals in the form of a payment and still earn dividends on the unused funds in the account. A share draft resembles a check in appearance. However, share drafts usually come attached with a copy so that each draft written automatically produces its own duplicate. This provides you with an immediate record of the draft you have just written. You will receive a monthly statement indicating the amount, number, and date of each draft which has cleared through your account. The cancelled original draft will not be returned to you. No minimum balance is required, and no charges are assessed for this service. You may, however, be assessed a charge if you need to have a copy made of the original draft.

Not all credit unions offer share draft accounts at this time. You should check with your local credit union for detailed information concerning the type of accounts offered.

● **Use of credit cards to back up checking accounts.** A future lesson in this study unit gives information concerning the problems that can occur when checks are returned for insufficient funds. Your credit rating can be damaged, and you are subject to punishment from your commanding officer under the Uniform Code of Military Justice (UCMJ). Certain credit cards (e.g., Master Card and VISA) have an optional feature that can supply an emergency advance of funds as a back-up to prevent an overdrawn checking account. This overdraft protection coverage has various names, and different methods are used to apply for it. Ask your bank for details concerning the overdraft coverage offered. Also, be certain you understand the repayment procedures and the interest rate that you will be charged.

● **Special services offered by some banks on large military installations.** Personalized services for Marines are offered by many of the banks on or near large military installations. One of these is special unaccompanied tour/TDY checking accounts with no service charge. Many banks have toll-free telephone numbers and extended working hours to answer questions concerning your present account or an account or loan you may be applying for. You should check with your bank to see what special services may be offered, especially when reporting in at a new duty station.

Not all of the services just mentioned will be right for everyone, but by having knowledge of them, you may evaluate each of them to determine whether they could be beneficial to you.

**EXERCISE:** Answer the following questions and check your responses against those listed at the end of this study unit.

1. An account which allows you to earn interest even though you are writing checks from it is known as a
  - a. share draft account.
  - b. combination account.
  - c. credit union account.
  - d. bill paying account.
2. To prevent an overdrawn checking account, some financial organizations allow the use of
  - a. share drafts.
  - b. unlimited checks.
  - c. immediate loan approvals.
  - d. credit cards.
3. A type of account wherein the financial organization makes payments on your behalf, as you have requested, is known as a
  - a. bill paying account.
  - b. share draft account.
  - c. combination account.
  - d. credit card account.

## Section II. CHECKING ACCOUNTS AND SAVINGS ACCOUNTS

### Work Unit 2-2. CHECKING ACCOUNTS

STATE THE MOST IMPORTANT REASON FOR HAVING A CHECKING ACCOUNT.

DEFINE THE TERM DEPOSIT SLIP, CHECK REGISTER, CHECK, AND BANK STATEMENT.

In this day and age, it is highly impractical not to have a checking account. It used to be that cash was the common method of payment, but, for many reasons, checking accounts have largely replaced the use of cash as a means of payment. For one thing, as towns and cities grew, it was not as easy to walk in and make a cash payment to your creditors, and mailing cash was out of the question. Also, as the economy grew, so did expenses. People began paying a variety of creditors, as opposed to just a few. It also became necessary to retain proof of payment for many expenses, and a cancelled check was as much proof as anyone could need. Finally, and the most important reason to have a checking account, is that it is simply unwise to carry or leave large amounts of cash around. Why risk the chance of being robbed, having your house burglarized, or, in the case of many Marines living in barracks, having your wall locker or footlocker broken into? If someone steals your cash, it is highly unlikely that you will ever see it again. On the other hand, if your checks are lost or stolen, it is simply a matter of notifying your bank, and they will refuse to negotiate any checks which are not authorized by you.

The need for having a checking account should now be obvious, and if you do not already have one, you should want to open one as soon as possible. If you are married, you will probably want to open a joint account with your spouse. With a joint account, both you and your spouse can write checks, make deposits, etc. This can be especially beneficial, because your family will be able to obtain necessary funds if you are away on temporary duty, restricted duty, or emergency leave.

In determining which financial organization you want to open an account with, you will have to decide what type of checking account will best suit your needs. Ask several financial organizations for information about the checking plans they offer. Also, from time to time, you should review the types of checking plans available to be certain that your plan is still the best for your needs. The names of checking account plans and the features they offer may vary, but basically, plans similar to the following are offered:

- **Ten plan.** If you write just a few checks a month, this may be the most economical plan for you. You pay a set service charge (about \$1.50) on the first ten checks the financial organization receives for payment. Checks written in excess of ten will usually result in an additional charge. Statements are usually sent to you quarterly (every 3 months).

- **Basic checking plan.** The amount of your monthly service charge or the amount (if any) that you are charged per check depends on the number of checks you write and/or the amount of your average balance.

- **Custom checking plan.** A "package" plan for which a flat fee is charged. This plan usually offers unlimited checkwriting and other services, such as safety deposit boxes, instant loan approval, an overdraft protection plan, etc.

In dealing with checking accounts, the following are certain items or processes you must know:

- **Signature card** - A record on which your "check-signing signature" is recorded. You must sign this card exactly as you will sign or endorse the checks in your checking account. This is done when you initially open your account.

<b>First State Bank</b>		May 12, 1981
<b>5432 Grand Street</b>		(DATE)
<b>Pinestone, MO 61234</b>		
ACCOUNT #	57-622-0	
NAME	Jane and John DOE	
ADDRESS	6789 Main Street	
	Pinestone, MO 61234	
PHONE #	987-6543	
SIGNATURE	<i>Jane Doe</i>	<i>John Doe</i>
		(SPOUSE, IF APPLICABLE)
SOC. SEC. #	123 45 6789	987 65 4321
		(SPOUSE, IF APPLICABLE)

- **Check** - A written order instructing the bank to pay money from your account.

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO 64030

NO. 126

20 June 19 81

PAY TO THE ORDER OF Action Auto Service \$ 29<sup>95</sup>/<sub>100</sub>

Twenty-nine and 95/100 DOLLARS

First State Bank  
5438 Grand Street  
Pinestone, MO 61234

DATE June - 10 SIGNATURE John Doe

⑆ 1010⑆      ⑆ 2468⑆ 576 220⑆

- **Checkbook** - A book of blank checks which you will use to instruct the bank to pay money from your account.

- **Check register** - A separate record in your checkbook on which you record the date, name of payee, purpose, amount, and balance in your account for each check written, and the date, amount, and balance in your account for each deposit made.

NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT/DEBIT (-)	✓	SEE NO. OF CHECK	DEPOSIT/CREDIT (+)	BALANCE
							121 61
644	2/10	E-Z Shoppe groceries	12 61				109 00
645	2/10	Sal. Dr. Max Co. auto repair	18 00				91 00
646	2/2	Jackson Clothing Store sportcoat	22 34				68 66
	2/4	Deposit				166 00	234 66

- **Deposit** - Amounts of cash and/or checks which you put in your account to cover the checks you write.

- **Deposit slip** - An itemized listing of the cash and checks that you put into your account.

CHECKING ACCOUNT DEPOSIT TICKET

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO. 61234

DATE 20 June 19 81

CASH	CURRENCY	75	00
	COIN	2	21
MC Deposits		300	00
TOTAL		377	21
NET DEPOSIT		377	21

80-9999  
TOTO

USE OTHER SIDE FOR ADDITIONAL LISTING

First State Bank  
5438 Grand Street  
Pinestone, MO 61234

2468⑆ 576 220⑆

● **Bank statement** - A statement furnished by the bank (usually monthly) listing your previous and ending balance, deposits you have made, checks you have written which the bank has paid, and any service charges deducted from your account. These paid (cancelled) checks and your deposit slips are included with the bank statement.

<b>Checking Account Statement</b>		<b>First State Bank</b> <b>5432 Grand Street</b> <b>Pinestone, MO 61234</b>		
<b>JOHN DOE</b> <b>6789 MAIN STREET</b> <b>PINESTONE, MO 61234</b>		Account Number <b>57-622-0</b>	Statement Date <b>2-21-81</b>	Page No. <b>1 of 1</b>
DATE	DEPOSIT/CREDIT	CHECKS AND CHARGES		BALANCE
		<small>Previous Statement Balance</small>		<b>\$324.63</b>
1-24-81		61.21	89.69	173.73
1-29-81		25.00		148.73
2-4-81		12.52		136.21
2-5-81		15.00		121.21
2-7-81		16.29	23.60	81.32
2-14-81	320.00			401.32
2-15-81		61.12		340.20
2-20-81		10.15		330.05
2-21-81		2.00 Service Charge		328.05

Please examine this statement upon receipt and promptly report any discrepancy	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="font-size: small;">No. of Deposits and Credits</th> <th style="font-size: small;">We have added these deposits and credits totaling</th> <th style="font-size: small;">No. of Checks and Charges</th> <th style="font-size: small;">We have subtracted these checks and charges totaling</th> <th style="font-size: small;">Resulting in an ending statement balance of</th> </tr> <tr> <td style="text-align: center;">1</td> <td style="text-align: right;">\$320.00</td> <td style="text-align: center;">10</td> <td style="text-align: right;">\$316.58</td> <td style="text-align: right;">\$328.05</td> </tr> </table>	No. of Deposits and Credits	We have added these deposits and credits totaling	No. of Checks and Charges	We have subtracted these checks and charges totaling	Resulting in an ending statement balance of	1	\$320.00	10	\$316.58	\$328.05
No. of Deposits and Credits	We have added these deposits and credits totaling	No. of Checks and Charges	We have subtracted these checks and charges totaling	Resulting in an ending statement balance of							
1	\$320.00	10	\$316.58	\$328.05							

● **Reconciliation of bank statement** - A process wherein you verify your checking account balance by taking the ending balance on the bank statement, adding any deposits made since the closing date of the statement, deducting any service charge shown on the statement, and deducting any checks written which were not included in the cancelled checks returned with the bank statement.





**EXERCISE:** Answer the following questions and check your responses against those listed at the end of this study unit.

1. The most important reason to have a checking account is that \_\_\_\_\_

Match and record the appropriate numbered definition with the term it describes:

- |  |                   |
|--|-------------------|
| 2. A written order instructing the bank to pay money from your account. _____  | a. deposit slip   |
| 3. An itemized listing of the cash and checks you put into your account. _____   | b. check register |
| 4. A record of the date, name of payee, purpose, amount, and balance in your account. _____  | c. bank statement |
| 5. A record of your account balance, deposits, service charges, checks you have written, cancelled checks and deposit slips. _____ | d. check          |

**Work Unit 2-3. CHECKING ACCOUNT DOCUMENT PREPARATION**

**PREPARE DEPOSIT SLIPS, A CHECK REGISTER, AND CHECKS.**

**IDENTIFY TYPES OF CHECK ENDORSEMENTS.**

Proper completion of the various documents associated with a checking account is extremely important. Failure to complete any of the required steps could result in an overdrawn or out-of-balance account or make it very difficult to trace a check you have written.

Obviously, you cannot begin writing checks until you have deposited funds in your checking account. A supply of deposit slips will be furnished with your blank checks. The deposit slips contain your name and account number and must be used when you deposit cash or checks in your account.

Completing a deposit slip (figure 2-1) is relatively simple. Fill in the date you are making the deposit. List the cash (currency and coin) you are depositing in the appropriate spaces. List each check separately by identifying the source of the check; e.g., Marine Corps paycheck, tax refund, the name of the person who wrote you the check, etc. If you have more checks than can be listed on the front, list the remainder on the back of the deposit slip, and enter the total in the space on the front marked "TOTAL FROM OTHER SIDE." Then, total and record the amount of your deposit where marked "TOTAL" and "NET DEPOSIT." If you are receiving a portion of a check you are depositing back in cash (figure 2-2), list that amount where marked "LESS CASH RECEIVED." Then, subtract the amount of cash from the "TOTAL" amount, and record the amount of the deposit in the space marked "NET DEPOSIT."

CHECKING ACCOUNT DEPOSIT SLIP		CASH		CURRENCY	75	00
JOHN DOE 6789 MAIN STREET PINESTONE, MO. 61214		COIN		9	21	
		MC. paycheck		300	00	
DATE: 20 June 81		TOTAL		379	21	
		NET DEPOSIT		379	21	

80-0999  
1010  
USE EITHER SIDE FOR ADDITIONAL LISTING.

**First State Bank**  
5432 Grand Street  
Pinestone, MO 61234

246 700 576 22000

Fig 2-1. Example of completed deposit slip.

CHECKING ACCOUNT DEPOSIT TICKET

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO. 61234

DATE 20 June 19 81  
John Doe  
NO SIGNATURE FOR AVOIDANCE OF FURTHER DEPOSIT

CASH	CHEQUE	
TOTAL		342.00
CASH		42.00
NET DEPOSIT		300.00

80-9999  
1010  
USE OTHER SIDE FOR  
ADDITIONAL LISTING.

**First State Bank**  
5438 Grand Street  
Pinestone, MO 61234

2467 576220

Fig 2-2. Example of completed deposit slip with cash being received.

After making your deposit, be certain to record the amount in your check register, and add the deposit to your checkbook balance. Further, you should retain the receipt the bank will give you when making a deposit until you receive your bank statement. If for some reason the deposit does not appear on your statement, the receipt will serve as proof that you actually made the deposit.

Before making your deposit (if a check is involved), there are certain things you must know about endorsing your check. An endorsement is nothing more than your signature, but the manner in which you endorse your check is extremely important.

A blank endorsement, which is your signature alone, should not be made on a check until you are at the bank and ready to cash or deposit the check. Otherwise, anyone may be able to cash a check endorsed this way.

To avoid the possibility that your check could be misused, a restrictive endorsement should be made. The restrictive endorsement contains the words "FOR DEPOSIT ONLY" with your signature below. A check endorsed in this way cannot be used for any other purpose.

If you wish to transfer a check payable to you to another person or account, the proper endorsement would be the words "PAY TO THE ORDER OF (NAME OF THE SECOND PARTY)" with your signature below. This is a type of special endorsement.

Finally, if for some reason your name is misspelled on the check, you should attempt to have the check reissued to you. If this is impossible or impractical, you must first sign your name exactly as it appears on the face of the check, and then sign your name correctly below it.

An example of each of these endorsements is shown in figure 2-3.

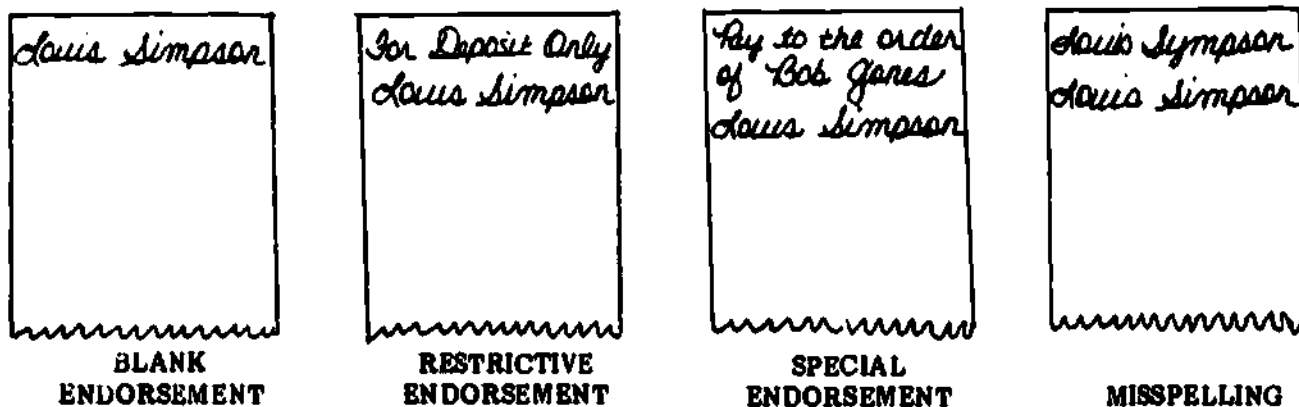


Fig 2-3. Types of endorsements.

Having deposited funds in your account, you are now ready to begin writing checks. The first step to take is to complete the check register by recording all of the necessary data. Although check registers will vary in format, the process of completing them is basically the same. Two different examples are provided in this work unit: the double line entry and the single line entry. The double line entry (figure 2-4) allows you to write the amount of the transaction (check or deposit) on the first line in the balance column and the new balance on the second line. The single line entry (figure 2-5) requires that you record the transaction to the left of the balance column and the new balance on the same line.

As an example for both types of entries, assume that on 20 June 1981 you are going to write a check to your doctor in the amount of \$95 for your annual physical. The following day, you deposit \$200 to your checking account. These steps must be taken to record the transactions in your check register.

1. Record the number of your next available check in the column entitled "NUMBER."
2. Record the date in the column entitled "DATE." Never postdate a check. This is a dangerous and illegal practice. Always use the actual date you are writing the check.
3. Under "DESCRIPTION OF TRANSACTION," record the name of the payee (the person or business to whom the check is written).
4. Directly beneath or beside the payee's name, record the purpose for which the check is being written.
5. Next, record the amount of the check you will be writing under the column entitled "PAYMENT/DEBIT (-)."
6. Use of the next two columns is optional. The first column, which shows a check mark (✓) and the letter "T," may be used to indicate that the check you are writing is for an expense which will reduce your taxable income when you file your income tax return (e.g., medical bills, child care, etc.). The use of a mark (✓) in this column will prove to be a handy reference.

The next column, entitled "FEE (if any) (-)," may be used to record the bank service charge. This may be done on a check-by-check basis if your service charge is computed that way, or on a monthly basis when you reconcile your account.

7. The next column on the check register will be used when making a deposit to your account. Record the date of your deposit, and then record the amount in the column entitled "DEPOSIT/CREDIT (+)." Many people find it less confusing to use a separate line for each transaction, and this is recommended as opposed to recording a check and deposit transaction on the same line.
8. The final step in recording a transaction in your register, for either a check to be written or a deposit to be recorded, is to compute and record your new checking account balance under the column entitled "BALANCE." Either subtract the amount of the check you are writing (to include the service charge, if applicable) or add the amount of the deposit you are making. It is wise to double check your arithmetic to ensure that the balance is correct.

①	②	③	④	⑤	⑥	⑦	⑧
NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT DEBIT (-)	✓	DEBIT CREDIT (+)		BALANCE
413	6/20	Dr. Jackson annual physical	95 00	✓			192 21 95 00 97 21
	6/21	Deposit				200 00	200 00 297 21

Fig 2-4. Sample check register (double line entry).

①	②	③	④	⑤	⑥	⑦	⑧
NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT DEBIT (-)	✓	DEBIT CREDIT (+)		BALANCE
413	6/20	Dr. Jackson - annual physical	95 00				192 21 95 00 97 21
	6/21	Deposit				200 00	297 21

Fig 2-5. Sample check register (single line entry).

Having completed the check register, you must now transfer the information directly to the check you are writing. This will ensure that you write the check exactly as the transaction appears in your register. When writing a check, always use ink to prevent anyone from attempting to alter it. Never cross out, erase, or change anything on the check after it is written. If an error is made, mark the check and the transaction in your register "VOID" in ink, and write another check. This will protect you because the bank will usually refuse to pay an altered check. If you do void a check, file it with the cancelled checks you receive with your next bank statement, or tear it up and throw it away.

As shown in figure 2-6, take the following steps when writing your check:

1. Record the number of the check in the upper-right corner if your checks are not pre-numbered.
2. Record the actual date you are writing the check. Remember - never postdate a check.
3. Write or print the name of the payee on the line "PAY TO THE ORDER OF." Immediately following the dollar sign (\$) on the same line, write the amount of the check in numbers.
4. On the next line, write or print the amount of the check in words with any amount under one dollar written as a fraction. To prevent anyone from altering your check, extend a line after the fraction over to the word "DOLLARS."
5. Record the purpose for which you are writing the check on the line next to the word "MEMO," and sign the check exactly as you did on the signature card when you opened your account.

JOHN DOE 6789 MAIN STREET PINESTONE, MO 64030		(2) 20 Jun 19 81	(1) NO. 413
PAY TO THE ORDER OF		(3) Dr. Jack Jackson	\$ 95 <sup>00</sup>
(4) Ninety-five and 00/100		DOLLARS	
First State Bank 2438 Grand Street Pinestone, MO 61934			
MEMO: (5) annual physical		John Doe	
⑆ 10101		⑆ 2468⑈ 576220⑈	

Fig 2-6. Sample check.

The last and most important information you need to know about a checking account is that you must never write a check in excess of the amount in your checking account! A check written on your account for which there are insufficient funds will be returned unpaid. The check will be marked "NSF" for "not sufficient funds," and is said to be a "bad check" or to "bounce." Most financial organizations assess a service charge for processing a "bad check," and a charge of \$5 to \$10 is not uncommon.

Both the Marine Corps Manual and the Legal Administration Manual state that Marines are expected to pay their just financial obligations in a proper and timely manner. Writing a check on a closed account or writing a check when there are insufficient funds in your account to cover such a check are serious criminal offenses under both military law and civilian law. The punishment authorized by the Uniform Code of Military Justice if you are convicted of such an offense includes confinement at hard labor, forfeiture of pay, reduction in grade for enlisted personnel, and a punitive discharge or dismissal. The punishment under civilian law includes fines and/or imprisonment if you are convicted of such an offense. Additionally, a Marine convicted by a civilian court for a dishonored check offense may be administratively discharged under other than honorable conditions. Similar action may follow in the case of a Marine who unintentionally but repeatedly passes dishonored checks, whether convicted by civil authorities or not.

In addition to the personal financial problems resulting from dishonored checks, these checks create an air of mistrust in the civilian community towards all Marines, and jeopardize check cashing privileges for other Marines and their dependents. Further, dishonored checks in the post exchange and commissary systems increase overhead costs, thereby reducing contributions to the Marine Corps Recreation Fund, which has an ill effect on the morale and welfare of all Marines.

It should now be obvious that you must never write a check in excess of the funds in your checking account. It is mandatory that you keep your checking account balance current and accurate, not only for your sake and the sake of your family, but also for the sake of other Marines and their dependents.

**EXERCISE:** As a practice exercise, assume that you are going to open a checking account. Blank deposit slips, check registers, and checks are furnished for your use on pages 2-14 through 2-21. Use the following guidelines for this exercise:

- Prepare deposit slips as necessary, and record each deposit in your check register.
- Deposit all checks received into your checking account.
- Write checks for each transaction requiring an expenditure, and record each check in your check register.

Upon completion of the following transactions, answer the three questions at the end of this exercise.

**TRANSACTIONS:**

1. **January 25:**  
You deposit \$60.48 cash to open your checking account.
2. **January 28:**  
Purchase groceries at Bestway Foods, \$53.18.
3. **January 30:**  
You receive your Marine Corps paycheck for \$350. You also receive a \$10 check from Aunt Sally as a birthday gift. Deposit both checks.
4. **February 1:**  
Pay Jones Realty Co. \$175 for February rent.
5. **February 5:**  
Pay Johnson Department Store \$25.47 for clothing purchased.
6. **February 10:**  
Purchase groceries at Bestway Foods, \$57.64.
7. **February 15:**  
You receive your Marine Corps paycheck for \$350. Deposit the entire check.
8. **February 17:**  
Pay the following utility bills:

a. Water company	\$ 4.20
b. Gas company	12.00
c. Electric company	22.00
d. Telephone company	8.80
9. **February 19:**
  - a. Pay ABC Credit Union \$110 for car payment.
  - b. Pay Action Auto Service \$83.82 for auto repair.
10. **February 20:**
  - a. Pay Tower Laundry \$16.53 for laundry service.
  - b. You receive and deposit a \$60 check from J. Cash for a guitar he bought from you.
11. **February 21:**  
Write a check for \$150 to be deposited to your savings account with Basysave Credit Union.  
  
Answer the following questions and check your responses for the entire exercise against those listed at the end of this study unit.
12. To avoid the possibility that a check made payable to you is misused, what type of endorsement should you make on the back of the check?

a. Restrictive	c. Special
b. Blank	d. Personal

13. The most important thing to remember about a checking account is that \_\_\_\_\_

14. Based on the previous phase of this exercise, the current balance in your checking account is

- a. \$118.84.
- b. \$261.84.

- c. \$111.84.
- d. \$171.84.







NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT DEBIT (-)		✓ T	FEE OF BANK	DEPOSIT CREDIT (+)		BALANCE	
		To FOR								
		To FOR								
		To FOR								
		To FOR								
		To FOR								
		To FOR								
		To FOR								

NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT DEBIT (-)		✓ T	FEE OF BANK	DEPOSIT CREDIT (+)		BALANCE	
		To FOR								
		To FOR								
		To FOR								
		To FOR								
		To FOR								
		To FOR								
		To FOR								

NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT DEBIT (-)		✓ T	FEE OF BANK	DEPOSIT CREDIT (+)		BALANCE	
		To FOR								
		To FOR								
		To FOR								
		To FOR								
		To FOR								
		To FOR								

**JOHN DOE**  
 6789 MAIN STREET  
 PINESTONE, MO 64030

NO. \_\_\_\_\_  
 \_\_\_\_\_ 19 \_\_\_\_\_  
 80-9999  
 1010

PAY TO THE  
 ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ DOLLARS

**First State Bank**  
 8438 Grand Street  
 Pinestone, MO 61234

MEMO \_\_\_\_\_

⑆ 10101 ⑆ ⑆ 2468Ⓜ 576220Ⓜ

**JOHN DOE**  
 6789 MAIN STREET  
 PINESTONE, MO 64030

NO. \_\_\_\_\_  
 \_\_\_\_\_ 19 \_\_\_\_\_  
 80-9999  
 1010

PAY TO THE  
 ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ DOLLARS

**First State Bank**  
 8438 Grand Street  
 Pinestone, MO 61234

MEMO \_\_\_\_\_

⑆ 10101 ⑆ ⑆ 2468Ⓜ 576220Ⓜ

**JOHN DOE**  
 6789 MAIN STREET  
 PINESTONE, MO 64030

NO. \_\_\_\_\_  
 \_\_\_\_\_ 19 \_\_\_\_\_  
 80-9999  
 1010

PAY TO THE  
 ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ DOLLARS

**First State Bank**  
 8438 Grand Street  
 Pinestone, MO 61234

MEMO \_\_\_\_\_

⑆ 10101 ⑆ ⑆ 2468Ⓜ 576220Ⓜ

**JOHN DOE**  
 6789 MAIN STREET  
 PINESTONE, MO 64030

NO. \_\_\_\_\_  
 \_\_\_\_\_ 19 \_\_\_\_\_  
80-0000  
 1010

PAY TO THE  
 ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ DOLLARS

**First State Bank**  
 6489 Grand Street  
 Pinestone, MO 61824

MEMO \_\_\_\_\_

⑆ 10101 ⑆ ⑆ 2468 ⑆ 576220 ⑆

**JOHN DOE**  
 6789 MAIN STREET  
 PINESTONE, MO 64030

NO. \_\_\_\_\_  
 \_\_\_\_\_ 19 \_\_\_\_\_  
80-0000  
 1010

PAY TO THE  
 ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ DOLLARS

**First State Bank**  
 6489 Grand Street  
 Pinestone, MO 61824

MEMO \_\_\_\_\_

⑆ 10101 ⑆ ⑆ 2468 ⑆ 576220 ⑆

**JOHN DOE**  
 6789 MAIN STREET  
 PINESTONE, MO 64030

NO. \_\_\_\_\_  
 \_\_\_\_\_ 19 \_\_\_\_\_  
80-0000  
 1010

PAY TO THE  
 ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ DOLLARS

**First State Bank**  
 6489 Grand Street  
 Pinestone, MO 61824

MEMO \_\_\_\_\_

⑆ 10101 ⑆ ⑆ 2468 ⑆ 576220 ⑆

**JOHN DOE**  
 6789 MAIN STREET  
 PINESTONE, MO 64030

NO. \_\_\_\_\_  
 \_\_\_\_\_ 19 \_\_\_\_\_  
80-9999  
 TOTO

PAY TO THE  
 ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ DOLLARS

**First State Bank**  
 5438 Grand Street  
 Pinestone, MO 61234

MEMO \_\_\_\_\_

⑆ 10101 ⑆ ⑆ 2468 ⑆ 576220 ⑆

**JOHN DOE**  
 6789 MAIN STREET  
 PINESTONE, MO 64030

NO. \_\_\_\_\_  
 \_\_\_\_\_ 19 \_\_\_\_\_  
80-9999  
 TOTO

PAY TO THE  
 ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ DOLLARS

**First State Bank**  
 5438 Grand Street  
 Pinestone, MO 61234

MEMO \_\_\_\_\_

⑆ 10101 ⑆ ⑆ 2468 ⑆ 576220 ⑆

**JOHN DOE**  
 6789 MAIN STREET  
 PINESTONE, MO 64030

NO. \_\_\_\_\_  
 \_\_\_\_\_ 19 \_\_\_\_\_  
80-9999  
 TOTO

PAY TO THE  
 ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ DOLLARS

**First State Bank**  
 5438 Grand Street  
 Pinestone, MO 61234

MEMO \_\_\_\_\_

⑆ 10101 ⑆ ⑆ 2468 ⑆ 576220 ⑆

**JOHN DOE**  
 6789 MAIN STREET  
 PINESTONE, MO 64030

NO. \_\_\_\_\_  
 \_\_\_\_\_ 19 \_\_\_\_\_  
80-9999  
 TOTO

PAY TO THE  
 ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ DOLLARS

**First State Bank**  
 8438 Grand Street  
 Pinestone, MO 61224

MEMO \_\_\_\_\_

⑆ 10101 ⑆ ⑆ 246811 576 22011 ⑆

**JOHN DOE**  
 6789 MAIN STREET  
 PINESTONE, MO 64030

NO. \_\_\_\_\_  
 \_\_\_\_\_ 19 \_\_\_\_\_  
80-9999  
 TOTO

PAY TO THE  
 ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ DOLLARS

**First State Bank**  
 8438 Grand Street  
 Pinestone, MO 61224

MEMO \_\_\_\_\_

⑆ 10101 ⑆ ⑆ 246811 576 22011 ⑆

**JOHN DOE**  
 6789 MAIN STREET  
 PINESTONE, MO 64030

NO. \_\_\_\_\_  
 \_\_\_\_\_ 19 \_\_\_\_\_  
80-9999  
 TOTO

PAY TO THE  
 ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_

\_\_\_\_\_ DOLLARS

**First State Bank**  
 8438 Grand Street  
 Pinestone, MO 61224

MEMO \_\_\_\_\_

⑆ 10101 ⑆ ⑆ 246811 576 22011 ⑆

**JOHN DOE**  
 6789 MAIN STREET  
 PINESTONE, MO 64030

NO. \_\_\_\_\_  
 80-0000  
 1010

PAY TO THE ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ DOLLARS

**First State Bank**  
 8488 Grand Street  
 Pinestone, MO 61824

MEMO: \_\_\_\_\_

⑆ 10101 ⑆ ⑆ 2468 576 220 ⑆

**JOHN DOE**  
 6789 MAIN STREET  
 PINESTONE, MO 64030

NO. \_\_\_\_\_  
 80-0000  
 1010

PAY TO THE ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ DOLLARS

**First State Bank**  
 8488 Grand Street  
 Pinestone, MO 61824

MEMO: \_\_\_\_\_

⑆ 10101 ⑆ ⑆ 2468 576 220 ⑆

**JOHN DJE**  
 6789 MAIN STREET  
 PINESTONE, MO 64030

NO. \_\_\_\_\_  
 80-0000  
 1010

PAY TO THE ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_  
 \_\_\_\_\_ DOLLARS

**First State Bank**  
 8488 Grand Street  
 Pinestone, MO 61824

MEMO: \_\_\_\_\_

⑆ 10101 ⑆ ⑆ 2468 576 220 ⑆



## Work Unit 2-4. CHECKING ACCOUNT RECONCILIATION

### RECONCILE (BALANCE) A CHECKING ACCOUNT.

Bank statements for checking accounts (figure 2-7) are normally prepared and mailed on a monthly basis. They list the amount of each check deducted from your account and the date each was paid, the amount and date of each deposit to your account, any service charges or penalties, and the previous and ending statement balance. Some banks will also return your cancelled checks and original deposit slips with the statement.

The ending balance on your checking account statement will seldom agree with the balance in your check register. This is understandable, because it normally takes from 3 to 14 days from the time you write and mail a check until the check has been cashed or deposited by the payee, processed by their bank, forwarded to a check clearing facility, and then routed to your bank. Further, checks seldom clear the bank in the same order in which you wrote them, since they are written to various payees at various locations. However, if the payee takes the check to your bank to cash, or if the payee's bank is the same as yours, the process could be accomplished in 1 or 2 days. Also, a deposit made late in the day might not appear on your statement if it is prepared the next day. This, too, would cause your statement to disagree with the balance in your check register.

To be certain that neither you nor the bank has made an error in your checking account, you must reconcile your bank statement with your check register. Most banks provide a reconciliation form (figure 2-8), usually on the back of the statement. To reconcile a checking account, the following steps are taken:

1. Arrange the cancelled checks returned with your statement into numeric order. If you voided any checks during the period covered by the statement, include or make note of those to ensure that no checks are missing.
2. Go through your check register and make a mark next to the record of each check which was included with the statement.
3. Next, list and total all checks you have written which were not included with the statement. These checks are known as outstanding checks.
4. If a monthly service charge or a penalty was deducted on your statement, record the item on your check register and compute the new balance.
5. On the appropriate line of the reconciliation form, enter the ending balance shown on your bank statement. Add any deposits you have made which were not reflected on the statement, and total the two figures.
6. Deduct the total amount of your outstanding checks (obtained from step 3 above).

This balance should agree with the current balance on your check register. If it is not the same, verify all computations in your check register. If no error is found there, carefully repeat all of the above steps. If your balance is still in disagreement, make an appointment with your bank to have your account reconciled with the bank records.

An example of the reconciliation process is provided as follows. Study the example carefully until you understand exactly how the process works. You will need to refer to figures 2-7 and 2-8 and the following data:

- You receive a checking account statement (figure 2-7) dated 21 February 1981.
- The previous statement balance was \$324.63.
- The ending statement balance is \$328.05.

● The following cancelled checks were received with the statement:

<u>NO.</u>	<u>AMOUNT</u>
311	61.21
312	89.69
313	25.00
314	12.52
315	15.00
316	16.29
317	23.60
318	61.12
319	10.15

● An original deposit slip in the amount of \$320 was returned with the statement.

● A service charge of \$2 was deducted from the account.

The statement appears as follows:

## Checking Account Statement

**First State Bank**  
**5432 Grand Street**  
**Pinestone, MO 61234**

---

**JOHN DOE**  
 6789 MAIN STREET  
 PINESTONE, MO 61234

Account Number	57-622-0
Statement Date	2-21-81
Page No.	1 of 1

DATE	DEPOSIT/CREDIT	CHECKS AND CHARGES	BALANCE
		Previous Statement Balance	\$324.63
1-24-81		61.21    89.69	173.73
1-29-81		25.00	148.73
2-4-81		12.52	136.21
2-5-81		15.00	121.21
2-7-81		16.29    23.60	81.32
2-14-81	320.00		401.32
2-15-81		61.12	340.20
2-20-81		10.15	330.05
2-21-81		2.00 Service Charge	328.05

Please examine this statement upon receipt and promptly report any discrepancy

No. of Deposits and Credits	We have added these deposits and credits totaling	No. of Checks and Charges	We have subtracted these checks and charges totaling	Resulting in an ending statement balance of
1	\$320.00	10	\$316.58	\$328.05

Fig 2-7. Checking account statement.

Compare the statement with the following check register. You will notice that as of 21 February, when check number 323 was written, the balance shown in your check register was \$168.29. The checking account statement, however, indicates that you have a balance of \$328.05 in your account.

NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT DEBIT (-)		✓	FEE OF BANK	DEPOSIT CREDIT (+)	BALANCE	
								326	63
✓ 311	1/19	Bestway Foods groceries	61	21				61	21
								224	92
✓ 312	1/19	Ace Supply tires	89	69				89	69
								173	23
	1/21	Service Charge account balanced	2	00				2	00
								171	23
✓ 313	1/22	American Oil Co. gasoline bill	25	00				25	00
								146	23
✓ 314	1/22	Midwestern Bell for phone bill	12	52				12	52
								134	21
✓ 315	1/21	VISA gas. bill	15	00				15	00
								119	21

NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT DEBIT (-)		✓	FEE OF BANK	DEPOSIT CREDIT (+)	BALANCE		
								121	21	
✓ 316	2/1	Bestway Foods groceries	16	29				16	29	
								104	92	
✓ 317	2/4	Union Electric Co. gas. bill	23	60				23	60	
								81	32	
✓ 318	2/10	Ace Supply auto parts	61	12				61	12	
								20	20	
✓ 319	2/13	Sawyer Laundry dry cleaning	10	15				10	15	
								10	05	
✓	2/14	Deposit					320	00	320	00
								320	05	
320	2/15	Acme Realty house payment	175	00				175	00	
								145	05	

NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT DEBIT (-)		✓	FEE OF BANK	DEPOSIT CREDIT (+)	BALANCE		
								155	05	
321	2/15	E-Z Credit Co. merchandise payment	21	00				21	00	
								134	05	
322	2/17	Bestway Foods groceries	42	15				42	15	
								91	90	
	2/20	Deposit					100	00	100	00
								100	90	
323	2/21	Smith Dept. Store shirt + socks	23	61				23	61	
								77	29	
	2/21	Service Charge account balanced	2	00				2	00	
								168	29	

To reconcile these balances, the following steps were taken:

1. The cancelled checks received with the statement were put in order and noted on the check register by placing a check mark (✓) next to the record of each.



● This total (\$281.76) is then recorded in the appropriate space on the form and subtracted from the total above it (\$428.05).

● The resulting balance is \$166.29, which agrees with the current balance in your check register.

If the balances do not agree, the following steps should be taken:

1. Verify that the amount of each check on the statement agrees with the amount recorded in your check register.
2. Verify that the amount of each deposit on the statement agrees with the amount recorded in your check register.
3. Verify that the amount of each check in your register has been deducted and that the amount of each deposit in your register has been added.
4. Verify that you have deducted all service charges or penalties listed on the statement in your check register.
5. Verify that the correct balance has been carried forward when starting a new page in your check register.
6. Verify that all additions and subtractions were properly computed in your check register.

If no errors were found in your check register after completing the above verifications, re-verify the reconciliation form. If no errors exist there, you must contact your bank for assistance in getting your account to balance. Do not delay in getting the account reconciled. The longer you wait, the worse the matter will get.

After reconciling your account, it is wise to keep your bank statement and deposit slips for a period of time in case you need to refer to them at a later date. Also, you should retain your cancelled checks for at least 3 years for income tax purposes.

**EXERCISE:** A copy of the check register you prepared in the previous work unit is provided on the next page. Using the register, the checking account statement on page 28, and the reconciliation form on page 29, reconcile your checking account based on the circumstances listed below. Upon completion, answer the questions at the end of the exercise. Then, verify your work with the completed reconciliation form and check register located at the end of this study unit.

● You receive a checking account statement dated 21 February 1980.

● The ending balance shown on the statement is \$321.13.

● A service charge of \$3 was deducted from your account.

● The following checks and deposit slips were received with the statement:

<u>NO.</u>	<u>CHECKS</u>	<u>DEPOSIT SLIPS</u>
1	\$53.18	\$60.48
2	175.00	360.00
4	57.64	350.00
6	12.00	
7	22.00	
9	110.00	
11	16.53	

NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT DEBIT (-)		✓	FEE OF BANK	DEPOSIT CREDIT (+)	BALANCE	
	1/25	Open account - Deposit					60 48	60 48	
1	1/28	Bestway Foods groceries	53	18				6 30	
	1/30	Deposit				360 00		366 30	
2	2/1	James Healy Co. Feb. amt	175	00				191 30	
3	2/5	Jahson Dept Store clothing	25	47				165 83	
4	2/10	Bestway Foods groceries	57	64				108 19	

NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT DEBIT (-)		✓	FEE OF BANK	DEPOSIT CREDIT (+)	BALANCE	
	2/15	Deposit				350 00		458 19	
5	2/17	Water Company Feb. bill	4	20				453 99	
6	2/17	Gas Company Feb. bill	12	00				441 99	
7	2/17	Electric Company Feb. bill	22	00				419 99	
8	2/17	Telephone Company Feb. bill	8	80				411 19	
9	2/19	ABC Credit Union Feb. auto amt.	110	00				301 19	

NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT DEBIT (-)		✓	FEE OF BANK	DEPOSIT CREDIT (+)	BALANCE	
								301 19	
10	2/19	Action Auto Service car repair	83	82				217 37	
11	2/20	Lower Laundry dry cleaning	16	53				200 84	
	2/20	Deposit				60 00		260 84	
12	2/21	EasySave Credit Union savings deposit	150	00				110 84	

# Checking Account Statement

**First State Bank**  
**5432 Grand Street**  
**Pinestone, MO 61234**

**JOHN DOE**  
**6789 MAIN STREET**  
**PINESTONE, MO 61234**

Account Number | **57-622-0**

Statement Date | **2-21-81**

Page No. | **1 of 1**

DATE	DEPOSIT/CREDIT	CHECKS AND CHARGES		BALANCE
		Previous Statement Balance		NONE
1-25-81	60.48			60.48
1-30-81	360.00			420.48
2-1-81		53.18		367.30
2-4-81		175.00		192.30
2-8-81		57.64		134.66
2-15-81	350.00			484.66
2-20-81		12.00	22.00	450.66
2-21-81		110.00	16.53	324.13
2-21-81		3.00	Service Charge	321.13

Please examine this statement upon receipt and promptly report any discrepancy

No. of Deposits and Credits	We have added these deposits and credits totaling	No. of Checks and Charges	We have subtracted these checks and charges totaling	Resulting in an ending statement balance of
3	\$770.48	8	\$449.35	\$321.13





1. Checks which you have written that are not included with your monthly bank statement are known as
  - a. cancelled checks.
  - b. outstanding checks.
  - c. void checks.
  - d. paid checks.
  
2. You should retain your cancelled checks for income tax purposes for a period of at least
  - a. 4 years.
  - b. 3 years.
  - c. 2 years.
  - d. 1 year.
  
3. Based on the checking account reconciliation you completed in this exercise, your current checking account balance is
  - a. \$48.84.
  - b. \$108.84.
  - c. \$51.84.
  - d. \$111.84.

**Work Unit 2-5. SAVINGS ACCOUNTS**

**IDENTIFY WHICH TYPE OF FINANCIAL ORGANIZATION OFFERS THE LOWEST RATE OF INTEREST ON SAVINGS AND WHICH TYPE BASES ITS MEMBERSHIP ON A COMMON BOND.**

**STATE WHY YOU SHOULD NOT PLACE ALL OF YOUR SAVINGS IN A SPECIFIED TERM SAVINGS ACCOUNT.**

The first step toward success in saving is to start, and the second step is to save regularly. Even if you save only a small portion of your earnings each payday, you have established a successful savings program. Any amount put into savings guarantees that you will have the money available when you really need it.

Maintaining a regular savings plan is extremely important. Savings may be needed for unexpected expenses, such as emergencies, home or automobile repair, emergency leave, etc. They may also be used for vacations, an education fund for yourself or your children, large cash purchases, etc.

There are several different approaches to savings plans. Remember, as stated when discussing budget formulation in the first study unit, you should allot a certain percentage of your income toward savings as if it were an expense. Probably the best way to do this is to have your savings automatically withheld from your paycheck. Therefore, you are not tempted to use the money for something else, you don't have to physically make the deposit to your account, and the same amount will always be deposited. This can be achieved in either of two ways. First, you can start an "S" (savings) allotment to the financial organization of your choice. A set amount of money will be withheld from your pay at the mid- and end-of-month paydays, and the money will be automatically deposited to your account at the end of the month. The other method involves the purchase of U.S. Savings Bonds. Many Marines purchase bonds by means of a "B" allotment deduction from their pay. There are numerous amounts and types of savings bond deduction plans, and more information about them can be obtained at your administrative or disbursing office, or from your savings bonds officer.

You should also be aware of some of the financial organizations you may choose from to keep your savings in. A brief description of several of these follows:

● **Commercial bank.** Commercial banks receive a charter (legal permission to operate) from the Federal or state government. They offer three basic services to their customers: lending, saving, and checking. The rate of interest on savings accounts paid by a commercial bank will probably be lower than the interest rate paid by some of the other financial organizations described below, but a commercial bank usually guarantees that it will pay the rate specified. Some financial organizations do not guarantee the payment of a dividend.

● **Mutual savings bank.** Mutual savings banks are located primarily in the eastern United States. They were founded for the convenience and benefit of savers. Dividends are paid out of earnings at an established rate. The rate is somewhat higher than that offered by commercial banks, since the payment of dividends is not guaranteed (although the principal and accumulated past dividends are generally insured by the Federal government). Historically, very few dividends are missed, but you should be aware that this could happen.

● **Savings and loan association.** Savings and loan associations receive a charter from the Federal or state government and offer savings and lending services. Dividends are paid to the savings account holders out of the association's earnings. These dividends are not always guaranteed, and the association may reduce the anticipated dividend rate because of profitability problems, although this is very rare.

● **Credit union.** Credit unions are unique financial institutions. They may be chartered by an agency of the state or by an agency of the Federal government. They do not conduct business with the general public in the manner that a commercial bank, savings bank, or savings and loan association does because their charters usually restrict them to serving groups having a common bond of occupation, association, or residence. Before anyone can become a member of a credit union, they must be within the field of membership set forth in the charter. Many credit unions are located on or near military installations and would be convenient for your use.

Regardless of which type of financial organization you choose for savings, it is very important that you only entrust your money to one which carries insurance to protect you in case the financial organization should fail. This is insurance to protect your accumulated funds, not just the dividends on your funds.

The names of some agencies which offer this insurance to financial organizations are Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), National Credit Union Administration (NCUA), and State Credit Union Share Insurance Corporation (SCUSIC). Financial organizations must pay a premium for this insurance protection for you. A financial organization that does not carry the insurance often pays a higher interest rate on savings accounts. However, the saver has no protection from losing part or all of the money in the account if the financial organization defaults. Although not a common occurrence, this has happened.

You may find that the financial organization you choose for your savings account offers several types of savings accounts with varying interest rates. In addition to normal savings accounts from which your money can be withdrawn at any time, you may find savings accounts for specified terms, such as 90 days, 8 months, 1 year, 3 years, 5 years, etc., or a Certificate of Deposit (CD) account which is also for a specified term. These accounts earn a higher interest rate than a normal savings account, but you should be aware that you may be penalized if you withdraw any of your funds from these accounts prior to the expiration of the specified term. For example, if you deposited \$500 in a specified term account of 8 months, but needed to withdraw the money 3 months later, you would receive no interest for those 3 months. If you withdrew the money after 3 months, but prior to the expiration of the specified term, you would receive interest on your deposit at a lower rate. For this reason, if there is any possibility of needing to use part of your savings for an emergency, you should keep a portion of the funds in a regular savings account.

No matter what type of financial organization you choose for your savings account or what type of savings plan you establish, the two things to remember are (1) to start and (2) to save regularly.

**EXERCISE:** Answer the following questions and check your responses against those listed at the end of this study unit.

1. The rate of interest on savings accounts will probably be lowest at a
  - a. mutual savings bank.
  - b. credit union.
  - c. commercial bank.
  - d. savings and loan association.
2. A financial organization which bases its membership on a common bond of occupation, association, or residence is a
  - a. mutual savings bank.
  - b. credit union.
  - c. commercial bank.
  - d. savings and loan association.
3. As opposed to all of your savings being in a specified term savings account, you should keep a portion of your funds in a regular savings account because \_\_\_\_\_

### Section III. DIRECT DEPOSIT

#### Work Unit 2-6. DIRECT DEPOSIT

LIST THE FOUR FEATURES OF DIRECT DEPOSIT WHICH ARE BENEFICIAL TO MARINES.

IDENTIFY WHERE TO GO TO ELECT PARTICIPATION IN DIRECT DEPOSIT.

IDENTIFY HOW TO DETERMINE THE AMOUNT DEPOSITED TO YOUR ACCOUNT UNDER DIRECT DEPOSIT.

Direct Deposit is the U.S. Treasury's trade name for an electronic funds transfer system. On 15 November 1979, the Marine Corps joined the growing number of Federal agencies using this system. Prior to that time, the Marine Corps had been sending Marines' pay to their financial organizations under a composite check system. Direct Deposit is much faster and more reliable because it uses the Federal Reserve Distribution System, whereas the former system was dependent upon the U.S. Postal Service.

Direct Deposit payments are compiled on magnetic tape at pay computation time and hand-carried to the Federal Reserve Bank in Kansas City. The data is electronically transmitted through the Federal Reserve Distribution System to the appropriate area Federal Reserve Bank and then distributed through a clearing house or directly to the appropriate financial organization.

Direct Deposit has four features which are very beneficial to Marines. First, your pay will be deposited in your account on payday, even if you are away on temporary duty or on leave. Second, there is no waiting for mail delivery to get your paycheck. Third, you will not have to wait in line at your financial organization to cash or deposit your paycheck. Fourth, and most importantly, you are assured of safe deposit of your pay; there is no chance of your check being lost or stolen.

All Marines are encouraged to apply for Direct Deposit. Standard Form 1199A: Direct Deposit Sign-Up Form, is the only form used to elect participation in Direct Deposit. When you have decided which financial organization you want your pay sent to, you should go to that institution and fill out the SF 1199A. The financial organization will mail the original of the form to the Marine Corps Finance Center in Kansas City, Missouri, retain the second copy of the form, and give you the third copy for your records.

After the above procedure, your pay will soon be sent to your financial organization and be available for your use by the opening hour on payday. Because of the paperwork involved and the timeframe for submitting information to the Marine Corps Joint Uniform Military Pay System (JUMPS) for inclusion in a particular pay cycle, the payday your first deposit goes to the financial organization may vary. However, you will receive your paycheck in the usual manner until the automated procedure for Direct Deposit has been completed. When your first deposit goes to the financial organization, the information will be shown on your leave and earnings statement (LES) if it is for the mid-month payday. If it is for the end-of-month payday, you will receive an advice-of-deposit notification giving you the date and the amount that will first be deposited in your account.

Once the first deposit has been made, future deposits will be made automatically, and will always be the amounts shown on your LES in the "forecast amounts" area (blocks 29 and 30), unless you are advised otherwise. Block 29 will contain the amount of your pay for the 15th of the month, and block 30 will contain the amount of your pay for the 30th of the month. If the actual amount of your pay is different from the amount in block 30 by \$5, either more or less, you will receive an advice-of-deposit notification giving the actual amount of your pay for that payday. The amount for the payday of the 15th will not differ from the amount in block 29 unless you enter a nonpay status. The amount in block 29 for the payday of the 15th and the amount in block 30 for the payday of the 30th (or the amount on your advice-of-deposit notification, as appropriate) are the amounts that you should enter in your check register, savings account record, credit union deposit record, or other record of your account at your financial organization.

**EXERCISE:** Answer the following questions and check your responses against those listed at the end of the study unit.

1. List the four features which are beneficial to Marines being paid by Direct Deposit.
  - a. \_\_\_\_\_
  - b. \_\_\_\_\_
  - c. \_\_\_\_\_
  - d. \_\_\_\_\_
2. To elect participation in Direct Deposit, you must file an SF 1199A. The form must be obtained from your
  - a. commanding officer.
  - b. disbursing officer.
  - c. financial organization.
  - d. legal assistance officer.
3. To determine the amount of money deposited to your account under Direct Deposit, you should
  - a. ask your financial organization.
  - b. ask your disbursing officer.
  - c. check the monthly bank statement you receive.
  - d. check the amount forecast in block 29 or 30 of your LES, unless you are advised otherwise.

#### SUMMARY REVIEW

In this study unit, you learned to identify at least three services offered by different types of financial organizations: combination accounts, bill paying accounts, and the use of credit cards to back up checking accounts. You learned that the most important reason for having a checking account is to keep from carrying or leaving large amounts of cash around. You learned to define what a deposit slip, a check register, a check, and a bank statement are. You also learned how to prepare deposit slips, a check register, and checks, to identify different types of check endorsements, and to reconcile a checking account. You learned that commercial banks usually offer the lowest interest rate on savings accounts, that credit unions base their membership on a common bond, and that you should not place all of your funds in a specified term account in case of emergencies. Finally, you learned that Direct Deposit offers four benefits to Marines: your pay is deposited in your account on payday; there is no waiting for mail delivery for your paycheck; you will not have to stand in line waiting to cash or deposit your paycheck; and there is no chance of your check being lost or stolen. You also learned that you should go directly to your financial organization to enroll in Direct Deposit, and that you should check blocks 29 and 30 of your LES to determine the amount deposited to your account unless you are advised otherwise.

#### Answers to Study Unit #2 Exercises

##### Work Unit 2-1.

1. b.
2. d.
3. a.

##### Work Unit 2-2.

1. it is unwise to carry or leave large amounts of cash around.
2. d.
3. a.
4. b.
5. c.

Work Unit 2-3. (TRANSACTIONS 1-11)

1. CHECKING ACCOUNT DEPOSIT TICKET

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO. 61234

DATE 25 Jan 19 81

SIGNATURE FOR CASH DEPOSIT REQUIRED

CASH	CURRENCY	
	ONES	DIMS.
	60	48
TOTAL	60	48
NET DEPOSIT	60	48

80-9999  
TOTO

USE OTHER SIDE FOR ADDITIONAL LISTING.

**First State Bank**  
8432 Grand Street  
Pinestone, MO 61234

246 7<sup>th</sup> 576 220<sup>th</sup>

3. CHECKING ACCOUNT DEPOSIT TICKET

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO. 61234

DATE 30 Jan 19 81

SIGNATURE FOR CASH DEPOSIT REQUIRED

CASH	CURRENCY	
	ONES	DIMS.
<i>Mr. Smith</i>	350	00
<i>Miss Sally</i>	10	00
TOTAL	360	00
NET DEPOSIT	360	00

80-9999  
TOTO

USE OTHER SIDE FOR ADDITIONAL LISTING.

**First State Bank**  
8432 Grand Street  
Pinestone, MO 61234

246 7<sup>th</sup> 576 220<sup>th</sup>

7. CHECKING ACCOUNT DEPOSIT TICKET

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO. 61234

DATE 15 Feb 19 81

SIGNATURE FOR CASH DEPOSIT REQUIRED

CASH	CURRENCY	
	ONES	DIMS.
<i>Mr. Smith</i>	350	00
TOTAL	350	00
NET DEPOSIT	350	00

80-9999  
TOTO

USE OTHER SIDE FOR ADDITIONAL LISTING.

**First State Bank**  
8432 Grand Street  
Pinestone, MO 61234

246 7<sup>th</sup> 576 220<sup>th</sup>

10. h

CHECKING ACCOUNT DEPOSIT SLIP

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO. 61214

DATE 20 Feb 19 81

CASH	CURRENT		
<u>g. cash</u>		<u>60 00</u>	
TOTAL		<u>60 00</u>	
NET DEPOSIT		<u>60 00</u>	

80-9899  
TOTO

USE OTHER SIDE FOR  
MEMORANDUM LISTING.

First State Bank  
3432 Grand Street  
PineStone, MO 61234

246 711 576 22011

NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT DEBIT (-)	✓	POST. BY	DEPOSIT CREDIT (+)	BALANCE
		Open account - Deposit				60 48	60 48
1	1/28	Bestway Goods groceries	53 18				7 30
	1/30	Deposit				360 00	367 30
2	2/1	Jones Lumber Co. Feb. rent	175 00				192 30
3	2/5	Johnson Dept. Store clothing	25 47				166 83
4	2/10	Bestway Goods groceries	57 64				109 19

NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT DEBIT (-)	✓	POST. BY	DEPOSIT CREDIT (+)	BALANCE
	2/15	Deposit				350 00	459 19
5	2/17	Water Company Feb. bill	4 20				414 99
6	2/17	Gas Company Feb. bill	12 00				402 99
7	2/17	Electric Company Feb. bill	22 00				380 99
8	2/17	Telephone Company Feb. bill	8 80				372 19
9	2/19	ABC Credit Union Feb. auto. pmnt.	110 00				262 19

NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT DEBIT (-)		✓	SEE IN BANK	DEPOSIT CREDIT (+)		BALANCE	
									302	19
10	2/11	Action Auto Service car repair	83	82					219	37
11	2/20	Tower Laundry dry cleaning	16	53					193	84
	2/20	Deposit					60	00	253	84
12	2/21	Eastgate Credit Union savings deposit	150	00					103	84

2.

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO 64030

NO. 1  
19 Jan 19 81  
80-9999  
1010

PAY TO THE ORDER OF Bestway Foods \$ 53<sup>18</sup>/<sub>100</sub>

Fifty-three and 18/100 DOLLARS

First State Bank  
8438 Grand Street  
Pinestone, MO 64034

MEMO: groceries John Doe

⑆ 10101 ⑆ 2468⑈ 576220⑈

4.

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO 64030

NO. 2  
19 Feb 19 81  
80-9999  
1010

PAY TO THE ORDER OF Jones Realty Co. \$ 175<sup>00</sup>/<sub>100</sub>

One-hundred seventy-five and 00/100 DOLLARS

First State Bank  
8438 Grand Street  
Pinestone, MO 64034

MEMO: Feb '80 rent John Doe

⑆ 10101 ⑆ 2468⑈ 576220⑈

5.

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO 64030

NO. 3  
80-8000  
1010

5 Feb 19 81

PAY TO THE ORDER OF Johnson Department Store \$ 25<sup>47</sup>

Twenty-five and 47/100 DOLLARS

First State Bank  
6428 Grand Street  
Pinestown, MO 61824

MEMO clothing John Doe

⑆ 10101 ⑆ 2468⑈ 576220⑈

6.

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO 64030

NO. 4  
80-8000  
1010

10 Feb 19 81

PAY TO THE ORDER OF Bestway Foods \$ 57<sup>64</sup>

Fifty-seven and 64/100 DOLLARS

First State Bank  
6428 Grand Street  
Pinestown, MO 61824

MEMO groceries John Doe

⑆ 10101 ⑆ 2468⑈ 576220⑈

8. a

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO 64030

NO. 5  
80-8000  
1010

17 Feb 19 81

PAY TO THE ORDER OF Water Company \$ 4<sup>20</sup>

Four and 20/100 DOLLARS

First State Bank  
6428 Grand Street  
Pinestown, MO 61824

MEMO Feb water bill John Doe

⑆ 10101 ⑆ 2468⑈ 576220⑈



8. b

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO 64030

NO. 6  
80-0000  
1010

17 Feb 19 81

PAY TO THE ORDER OF Gas Company \$ 12.00

Twelve and 00/100 DOLLARS

First State Bank  
5438 Grand Street  
Pinestone, MO 64030

MEMO Feb gas bill John Doe

⑆10101 ⑆2468⑈576220⑈

8. c

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO 64030

NO. 7  
80-0000  
1010

17 Feb 19 81

PAY TO THE ORDER OF Electric Company \$ 22.00

Twenty-two and 00/100 DOLLARS

First State Bank  
5438 Grand Street  
Pinestone, MO 64030

MEMO Feb elec bill John Doe

⑆10101 ⑆2468⑈576220⑈

8. d

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO 64030

NO. 8  
80-0000  
1010

17 Feb 19 81

PAY TO THE ORDER OF Telephone Company \$ 8.80

Eight and 80/100 DOLLARS

First State Bank  
5438 Grand Street  
Pinestone, MO 64030

MEMO Feb phone bill John Doe

⑆10101 ⑆2468⑈576220⑈

9. a

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO 64030

NO. 9  
80-9999  
1010

19 Feb 19 81

PAY TO THE ORDER OF ABC Credit Union \$ 110<sup>00</sup>

One-hundred ten and <sup>00</sup>/<sub>100</sub> DOLLARS

First State Bank  
8439 Grand Street  
Pinestone, MO 61234

MEMO Feb car payment John Doe

⑆ 6010⑆ ⑆ 2468⑈ 576220⑈

9. b

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO 64030

NO. 10  
80-9999  
1010

19 Feb 19 81

PAY TO THE ORDER OF Action Auto Service \$ 83<sup>82</sup>

Eighty-three and <sup>82</sup>/<sub>100</sub> DOLLARS

First State Bank  
8439 Grand Street  
Pinestone, MO 61234

MEMO car repair John Doe

⑆ 6010⑆ ⑆ 2468⑈ 576220⑈

10. a

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO 64030

NO. 11  
80-9999  
1010

20 Feb 19 81

PAY TO THE ORDER OF Lower Laundry \$ 16<sup>53</sup>

Sixteen and <sup>53</sup>/<sub>100</sub> DOLLARS

First State Bank  
8439 Grand Street  
Pinestone, MO 61234

MEMO dry cleaning John Doe

⑆ 6010⑆ ⑆ 2468⑈ 576220⑈

11.

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO 64030

NO. 12  
80-9999  
1010

21 Feb 19 81

PAY TO THE ORDER OF Savings Credit Union \$ 150<sup>00</sup>

One-hundred fifty and <sup>00</sup>/<sub>100</sub> DOLLARS

First State Bank  
8439 Grand Street  
Pinestone, MO 61234

MEMO savings deposit John Doe

⑆ 6010⑆ ⑆ 2468⑈ 576220⑈

**Work Unit 2-3. (QUESTIONS 12-14)**

- 12. a.
- 13. that you must never write checks in excess of the amount you have in your checking account.
- 14. c.

**Work Unit 2-4.**

- 1. b.
- 2. b.
- 3. b.



**Work Unit 2-5.**

1. c.
2. b.
- J. there is a possibility you may need the funds for an emergency.

**Work Unit 2-6.**

1. a. your pay will be automatically deposited in your account on payday.  
b. no waiting for mail delivery to get your paycheck.  
c. no standing in line at your financial organization.  
d. safe deposit of your pay; no chance of your check being lost or stolen.
2. e.
3. d.

## STUDY UNIT 3

### CREDIT, LOANS, AND LARGE PURCHASES

**STUDY UNIT OBJECTIVE:** UPON SUCCESSFUL COMPLETION OF THIS STUDY UNIT, YOU WILL BE ABLE TO LIST SEVEN GUIDELINES WHICH MUST BE FOLLOWED REGARDING THE USE OF CREDIT AND TO IDENTIFY THE FIRST THING TO DO IF YOUR FINANCIAL SITUATION REACHES A CRUCIAL STAGE. YOU WILL BE ABLE TO LIST THREE GUIDELINES TO BE FOLLOWED IN CONSIDERATION OF OBTAINING A LOAN. YOU WILL BE ABLE TO LIST FIVE MAJOR CONSIDERATIONS WHICH MUST BE MADE PRIOR TO PURCHASING A HOUSE, AND TO DEFINE THE TERM "ESCROW ACCOUNT." YOU WILL ALSO BE ABLE TO LIST FIVE EXPENSE ITEMS WHICH MUST BE CONSIDERED PRIOR TO PURCHASING A MOTOR VEHICLE, AND TO IDENTIFY WHEN STATE SALES TAX MUST BE PAID ON THE PURCHASE OF A MOTOR VEHICLE.

#### Section I. CREDIT AND LOANS

##### Work Unit 3-1. CREDIT

**LIST THE SEVEN GUIDELINES TO BE FOLLOWED REGARDING THE USE OF CREDIT.**

**LIST TWO ANNUAL RATES OF INTEREST.**

Credit, in a literal sense, means "buy now, pay later." Credit permits you to purchase goods as you need them, but pay for them over a period of time. If credit were not available, very few people could purchase a home, an automobile, furniture, television and stereo sets, and many other items costing more money than they have available from their regular pay for such purchases. And if only a few homes were built, a few cars manufactured, etc., the many people employed in these industries would be out of work. The economy of our country, and of the world, is very dependent upon the availability of credit to consumers.

The system of credit is, in effect, a loan of money, and you always pay extra when you borrow money. The use of credit can help to ensure a reasonable standard of living for you by permitting you to purchase an item such as a home or automobile to use and enjoy immediately while paying for it over a period of time.

Credit is not, however, a substitute for sound financial management and systematic savings. The improper use of credit can create big financial problems. If you have used credit improperly and have a financial crisis now, you must take immediate steps to work out this problem. This study unit will help you avoid misusing your credit in the future.

Seven guidelines regarding the use of credit are listed below. They should be carefully noted now, and reviewed whenever you anticipate making a purchase on credit.

● Use credit only for necessary goods priced much higher than you can afford with one or two paychecks. Be certain the item is really necessary right now. Do you need it immediately or could you wait a few weeks or months until you could buy it for cash?

● Use credit for goods having a useful life which is longer than the period of time that you are making payments for them. It can be discouraging and disappointing to be making payments on an item which can no longer be used, such as an automobile which no longer runs, or furniture which has worn out and must be discarded.

● Make as large a down payment as possible. Can you wait a few weeks or months to purchase the item while you save money for a larger down payment? This will reduce the amount of your payments, the number of months you must make payments, or both.

● Set a spending limit for the amount of your monthly payment. Be certain that you will be able to include the monthly payment within your budget when it is due.

● When you have finished paying for an item purchased on credit, do not be tempted to buy another item immediately. Instead, try to put the amount of money that covered the monthly payment into your savings, or use the money to pay off other items already purchased on credit.

● Pay in excess of your minimum monthly payments. If you find it possible within your budget to pay 5 or 10 dollars more than your minimum monthly payment, do so. You'll end up paying the bill more quickly and, in most cases, pay less by avoiding some of the finance charges.

● Beyond those just mentioned, the most important guideline regarding credit is the rate of interest you must pay for its use.

In the past, nearly all business concerns which dealt with the use of credit cards or time-payment plans, e.g., department stores, oil companies, etc., and bank credit cards, such as VISA and Master Card, called for a finance charge (interest) of 1 1/2 percent on the unpaid balance of your account per month. Some still charge 1 1/2 percent. Yet many companies have begun charging approximately 1 4/5 percent interest, and they charge the interest from the date of purchase as opposed to once a month on the unpaid balance of your account.

Neither of the interest charges sound as if they amount to much, yet when computed on an annual basis, 1 1/2 percent per month is 18 percent per year, and 1 4/5 percent per month is approximately 22 percent per year!

In the previous study unit, it was mentioned that you should "shop around" at various financial organizations to see what different types of services or accounts they offered. The same applies to the use of credit. Although most companies basically charge the same rates of interest, some may offer a lesser charge or no charge at all as an incentive for you to do business with them. Therefore, it is also wise to "shop around" where credit is concerned.

Probably the biggest disadvantage regarding the use of credit is that it's too easy to use, and almost encourages unnecessary spending. To avoid such spending, only carry your credit cards when you actually plan on purchasing an item or service on credit. Otherwise, impulse buying is almost a certainty. If you find that this works for you, be sure to store your credit cards in a safe place to avoid their loss or theft.

Proper use of credit can best be accomplished by planning for its use. Only after a careful study of your financial situation (to include preparation of a new budget) can you really decide whether or not to use credit.

**EXERCISE:** Answer the following questions and check your responses against those listed at the end of this study unit.

1. List the seven guidelines you must follow concerning the use of credit.
  - a. \_\_\_\_\_
  - b. \_\_\_\_\_
  - c. \_\_\_\_\_
  - d. \_\_\_\_\_
  - e. \_\_\_\_\_
  - f. \_\_\_\_\_
  - g. \_\_\_\_\_
2. Based on current monthly rates of interest (1 1/2% and approximately 1 4/5%), what are the annual rates of interest?

1 1/2% = \_\_\_\_\_ % and 1 4/5% = \_\_\_\_\_ %

**Work Unit 3-2. LOANS**

**IDENTIFY WHAT TO DO IF YOUR FINANCIAL SITUATION REACHES A CRUCIAL STAGE.**

**LIST THE THREE GUIDELINES TO BE FOLLOWED IN CONSIDERATION OF OBTAINING A LOAN.**

Obtaining a loan does not always have to be considered disadvantageous. Loans, which are a form of credit, are made for many necessary purposes, e.g., to purchase a house, automobile, furniture and appliances, etc., to finance the cost of trips, vacations, or moving, or to pay for major home or automobile repairs.



Another reason for borrowing money, which is considered disadvantageous and should be avoided if at all possible, is to borrow money because you owe money. The old adage of "robbing Peter to pay Paul" applies. This type of loan is intended to help consolidate many debts into one debt. An advantage could be gained, in that your one monthly payment may be smaller than the total of many monthly debts, but the loan often involves a much longer repayment period, and more total interest must be paid out. Except under special circumstances, it is always better to let your debts stand than to consolidate. As opposed to consolidation, an alternative does exist if your financial situation is at or near a crisis stage. The alternative is to see your legal assistance officer, who will review your situation and recommend action to resolve your problems and help you obtain a sound financial condition.

In addition to the guidelines previously mentioned concerning credit (most of which apply), there are three major guidelines which exist concerning loans: choosing the right financial organization, ensuring that a prepayment penalty clause does not exist, and knowing all of the facts about your loan.

● Choosing the right financial organization. There are many kinds of lending institutions and loan plans. Some advantages and disadvantages of these are as follows:

Credit unions are generally best-suited when it comes to borrowing money. They often require a smaller down payment on new autos than other lending institutions and provide loans at a lower interest rate than other sources. Also, military credit unions normally authorize a borrower to transport mortgaged property with a minimum of paper work. They may, however, require a member to maintain a share balance equal to their monthly loan payment.

Commercial banks or savings and loan associations may offer lower interest rates on loans than some finance companies, but usually require a much better credit rating.

Finance companies may be easier to obtain a loan from than the financial organizations listed directly above. However, this may not really be an advantage if your financial record is bad or the amount of the loan is excessive in comparison to the amount a more conservative lender will allow. Further, higher interest rates are usually charged, and a prepayment penalty clause is not uncommon.

● Ensuring that a prepayment penalty clause does not exist. Some credit contracts contain a clause limiting your right to make larger payments or to completely pay off the loan before the original term ends. Should you want or need to alter the payment amount or term, a penalty would be assessed for paying off the loan early. This precautionary information concerning prepayment is especially important for Marines because they and their families move to different areas frequently and would not always want to continue a loan at their old location; i.e., they might want to sell a home, car, furniture, etc. before moving to a new location, possibly overseas.

● Knowing all of the facts about your loan. You should be certain you know all the facts about your loan before you sign a note or contract. The Consumer Protection Act, also known as the Truth In Lending Act, requires that the lender give full disclosure of all costs of the loan, including the true, annual interest rate. The lender must also tell you what the extra charges are, i.e., the interest rate and the total amount of interest you will pay, if credit life insurance or health and accident insurance is required, if there are fees for investigating your credit, or if there are any loan handling fees. Learn the total cost and get it in writing, to include the monthly payment amount, the interest rate, and the length of time the loan will be in effect.

**EXERCISE:** Answer the following questions and check your responses against those listed at the end of this study unit.

1. If you find that your financial situation is at or near a crucial stage, the first thing you should do is
  - a. obtain a consolidation loan.
  - b. get a part-time job.
  - c. see your legal assistance officer.
  - d. advise all of your creditors.



2. List the three guidelines to be followed in consideration of obtaining a loan.

- a. \_\_\_\_\_
- b. \_\_\_\_\_
- c. \_\_\_\_\_

## Section II. LARGE PURCHASES

As previously mentioned in this study unit, many large purchase items simply must be purchased on credit. The two previous work units have provided guidelines concerning credit and loans. In addition to those guidelines, there are other considerations which must be made prior to making large purchases. This section will deal specifically with the purchase of a house and motor vehicle.

### Work Unit 1-3. PURCHASING A HOUSE

**LIST FIVE MAJOR CONSIDERATIONS WHICH MUST BE MADE PRIOR TO PURCHASING A HOUSE.**

**DEFINE THE TERM "ESCROW ACCOUNT."**

The largest purchase most people make during their lifetime is the purchase of a house, and some consideration should be given to the following items before making such a purchase:

● **Location.** Is the house near schools, churches, a shopping center, a hospital, and public transportation?

● **Services.** Are police and fire protection, trash disposal, medical service, etc. available?

● **Condition of property.** Will expensive repairs be needed soon (such as new roof, plumbing repairs, electrical repairs, heating, etc.)? Will you need to purchase appliances, carpeting, drapes, etc.?

The above is only a partial and somewhat minor list of things everyone should consider when buying a home. Five major considerations which must be made are as follows:

● **Down payment on loan** - though not always required, can be a substantial amount (thousands of dollars) and must be paid immediately.

● **Closing costs on loan** - at least several hundred dollars and must be paid immediately. Closing costs are miscellaneous charges paid at the time the house is purchased, and may include property taxes, loan origination fees, title insurance, property inspection or survey fees, and legal fees.

● **Insurance premium** - to cover loss to home and/or contents. You are usually required to pay the first year's premium immediately.

● **Utility deposits** - often required by each utility company and can be expensive if you have had no prior service.

● **Cost of assessments, taxes, insurance, etc.** - Billings for special assessments, taxes, and insurance premiums are usually made annually. Sometimes they are paid directly by the owner, but more often are paid by the mortgage company from an escrow account. Each month a portion of your mortgage payment goes toward a "fund" (your escrow account) for payment of your annual insurance premiums and taxes. Most mortgage companies require that an escrow account be maintained. If the amount of your taxes, special assessments, or insurance premiums increase, the amount of your monthly mortgage payment will also increase, so that the proper amounts will be in your escrow account when the bills are due. Most mortgage companies adjust their escrow accounts each year, and you can be asked to pay an additional amount immediately if your escrow account does not contain enough money to pay your current charges. Then, your monthly mortgage payment will be increased so the correct amounts will be available next year.

Many Marines are probably not yet concerned about purchasing a home, but the time may come when they will need to consider it. If you are interested in buying a home, you might check with your legal assistance officer to get a more detailed explanation of what is involved. At any rate, do not be discouraged or frightened away from home ownership by the process of buying a house. If you can afford it, home ownership is certainly a wise investment.

**EXERCISE:** Answer the following questions and check your responses against those listed at the end of this study unit.

1. List five major considerations which must be made prior to purchasing a house.
  - a. \_\_\_\_\_
  - b. \_\_\_\_\_
  - c. \_\_\_\_\_
  - d. \_\_\_\_\_
  - e. \_\_\_\_\_
  
2. Most homeowners have annual bills for taxes, insurance premiums, or assessments on their home paid by their mortgage company from what type of an account?  
\_\_\_\_\_

**Work Unit J-4. MOTOR VEHICLE PURCHASES**

**LIST THE FIVE EXPENSE ITEMS WHICH MUST BE CONSIDERED PRIOR TO PURCHASING A MOTOR VEHICLE.**

**IDENTIFY WHEN STATE SALES TAX MUST BE PAID ON THE PURCHASE OF A MOTOR VEHICLE**

Motor vehicle ownership carries a big responsibility and can be very expensive. As referred to in this work unit, the term motor vehicle includes cars, trucks, vans, motorcycles, recreational vehicles, and in some instances, boats. Five expense items which result from motor vehicle ownership will be discussed in this work unit. They should be carefully considered before a decision to purchase is made. The expense items are as follows:

● **State sales tax.** In many states, a seller (new or used motor vehicle dealer or private individual) does not collect state sales tax on the transaction. The buyer must pay this tax when the title registration and license plates are obtained. This can be a large amount (several hundred dollars on a new car). Be certain that you have considered this item when budgeting for a motor vehicle purchase.

● **Personal property taxes.** Many counties or cities assess a personal property tax on vehicles, and require that this tax be paid before you are permitted to purchase your license plates.

● **Insurance.** Insurance is very expensive, and the cost is constantly rising. Most states require that you carry at least personal liability insurance, which covers other cars in an accident, but which does not cover your vehicle. You can lose your driver's license in these states, as well as be fined, if you are at fault in even a minor accident and do not carry liability insurance. Most lenders require that you also carry comprehensive insurance to cover the cost of repairs for damage caused by weather (hail, flood, etc.), theft, or vandalism, and collision insurance to cover the cost of vehicle repair when your vehicle is damaged in an accident during the term of the loan. Insurance rates vary from state to state, but are usually higher for males under the age of 25. Therefore, male Marines in this age bracket will probably have an exceptionally high insurance cost.

The comprehensive and collision insurance mentioned above will probably have a deductible clause. This means that the vehicle owner will have to pay the first \$50, \$100, or whatever amount the deductible is of the cost for repair of the damage. Unfortunately, this is true for each loss you have, so if you have two or three losses, this item alone could mean a \$200 or \$300 unplanned expense.

● **Warranties and repairs.** Most new vehicles carry a factory warranty, and although the length of the warranty varies from manufacturer to manufacturer, it does protect you for a specified period of time. Some used vehicles purchased from a dealer include some type of warranty, but there is usually no warranty or guarantee on a car purchased from an individual. When your warranty expires, or if you did not have one, you could have fairly large repair expenses. Would your budget have room for these?

● **Operation and maintenance.** In addition to the known and possible expenses mentioned above, you will have the cost of your monthly payment, as well as the actual cost of operating the vehicle: gasoline, oil, new tires, tune-ups, etc.

After considering the above, you must determine whether your present financial situation will permit automobile ownership at this time. What are the alternatives? Could you car pool or use bus or public transportation? Is an automobile mandatory for you at this time? If it is, ensure that your budget can be changed so that you will have the funds necessary for vehicle ownership, operation, and registration.

**EXERCISE:** Answer the following questions and check your responses against those listed at the end of this study unit.

1. When purchasing a motor vehicle, state sales tax is
  - a. collected by the seller.
  - b. collected by the buyer.
  - c. paid by the seller at the time of purchase.
  - d. paid by the buyer when the title registration and license plates are obtained.
  
2. List the five expense items which must be considered prior to purchasing a motor vehicle.
  - a. \_\_\_\_\_
  - b. \_\_\_\_\_
  - c. \_\_\_\_\_
  - d. \_\_\_\_\_
  - e. \_\_\_\_\_

### SUMMARY REVIEW

In section I of this study unit, you learned that the most important guideline regarding the use of credit is the rate of interest you must pay for its use, and to identify other guidelines which exist concerning the use of credit. You learned that two annual interest rates are 18 and 22 percent. You learned that when considering whether or not to borrow money, you should choose the right financial organization, know all of the facts about your loan, and ensure that your loan does not have a prepayment penalty clause. You also learned that you should see your legal assistance officer should your financial situation reach a crucial stage.

In section II of this study unit, you learned that you must consider five major facets of home ownership: the amount of the down payment and closing costs, the cost of insurance premiums and utility deposits, and the cost of assessments, taxes, and annual insurance. You also learned what expense items must be considered prior to purchasing a motor vehicle: state sales tax and personal property taxes, the cost of repairs, operation and maintenance, and the cost of insurance which may be required.

Answers to Study Unit #3 Exercises:

Work Unit 3-1.

1. a. Use credit only for necessary goods having a price tag much higher than you can afford with one or two paychecks.  
b. Use credit for goods having a useful life longer than the period of time you must make payments for them.

- c. Make as large a down payment as possible.
- d. Set a spending limit for the amount of your monthly payment.
- e. When you have finished paying for an item purchased on credit, do not be tempted to buy another item immediately.
- f. Pay in excess of your minimum monthly payments if possible.
- g. The rate of interest you must pay for the use of credit.

2. 18% and 22%

**Work Unit 3-2.**

1. c.
2. a. Choose the right financial organization.  
b. Know all the facts about your loan.  
c. Ensure that a prepayment penalty clause does not exist.

**Work Unit 3-3.**

1. a. The down payment on the loan.  
b. The closing costs on the loan.  
c. Insurance premiums.  
d. Utility deposits.  
e. Taxes, annual insurance, assessments.
2. an escrow account.

**Work Unit 3-4.**

1. d.
2. a. The cost of insurance.  
b. The cost of repairs.  
c. The cost of operation and maintenance.  
d. State sales tax.  
e. Personal property tax.

# BEST COPY AVAILABLE

## STUDY UNIT 4

### THE LEAVE AND EARNINGS STATEMENT (LES)

**STUDY UNIT OBJECTIVE:** UPON SUCCESSFUL COMPLETION OF THIS STUDY UNIT, YOU WILL BE ABLE TO IDENTIFY WHERE INFORMATION CAN BE LOCATED ON THE LES, STATE TWO PURPOSES FOR UTILIZING THE FORECAST AMOUNTS DUE ON THE LES, AND IDENTIFY WHO TO SEEK ASSISTANCE FROM IF YOU DISCOVER AN ERROR OR HAVE QUESTIONS CONCERNING YOUR LES. YOU WILL BE ABLE TO BRIEFLY DESCRIBE EACH AREA IN BLOCK 27 OF THE LES AND TO COMPUTE A FUTURE LEAVE BALANCE. YOU WILL BE ABLE TO BRIEFLY DESCRIBE EACH OF THE SIX AREAS IN SECTION F OF THE LES, STATE THE DIFFERENCE BETWEEN CONTINUING AND ONE-TIME ELEMENTS OF PAY, AND LIST THREE EXAMPLES OF EACH. YOU WILL BE ABLE TO COMPUTE NORM PAY BASED ON INFORMATION CONTAINED IN SECTION F OF THE LES AND TO IDENTIFY THE DIFFERENCE BETWEEN NORM AND VARIABLE PAY. YOU WILL ALSO BE ABLE TO STATE THE THREE-STEP PROCESS USED IN NORM PAY COMPUTATION, AND WHY DELAYS MAY OCCUR IN THE PROCESSING OF A PAY ADJUSTMENT.

Each Marine on active duty is furnished a leave and earnings statement (LES) on a monthly basis. The LES gives detailed information covering the individual Marine's pay account for the previous month and provides forecasted amounts due for the paydays of the current month. Using your LES can be of great benefit when preparing a budget, but more importantly, the LES provides a detailed accounting to each Marine of their leave balance, pay entitlements and deductions, and pay received.

#### Section I. THE LES AND THE LEAVE ACCOUNT.

##### Work Unit 4-1. THE LES

IDENTIFY WHERE INFORMATION CAN BE LOCATED ON THE LES.

STATE TWO PURPOSES FOR UTILIZING THE FORECAST AMOUNTS DUE ON THE LES.

IDENTIFY WHO TO SEEK ASSISTANCE FROM IF YOU DISCOVER ERRORS OR HAVE QUESTIONS CONCERNING YOUR LES.

The LES, which is actually a printout of pay and personnel data stored in a computer at the Marine Corps Central Design and Programming Activity (MCCDPA) in Kansas City, Missouri, is a three-part form. Each Marine receives the original (white) copy, the servicing disbursing officer receives the duplicate (white) copy, and the commanding officer receives the triplicate (pink) copy.

You must understand that each LES you receive covers your pay account for the previous month. The LES is usually produced and distributed by the 10th of the month. For example, an LES received on the 10th of October would cover the period 1 through 30 September; an LES received on 10 January would cover the period 1 through 31 December, and so on.

The LES is divided into seven sections, identified as A, B, C, D, E, F, and G, and each section is further divided into areas identified by block numbers. Pertinent information is printed within these blocks which applies to the individual Marine for whom the LES was prepared. Although this study unit will mainly deal with information contained in sections D and F, you should familiarize yourself with all of the sections and blocks on the LES.

Study the LES contained in figure 4-1. Read each section, block by block. If you come to a block you are not familiar with, utilize the legend printed on the reverse of each LES (see figure 4-2). By doing this, you will learn where each block is located on the LES as well as its purpose. Also, in attempting to determine what effect certain changes to your pay or personnel data may have on your LES, you will know where to look for these changes to occur.

# BEST COPY AVAILABLE

MEMBER'S COPY LEAVE AND EARNINGS STATEMENT															
1 BASIC DATA				2 SSN				3 TYPE		4 BRN		5 MCC		6 AC	
MARINE				MICHAEL M				0123456789		2CR8		USMC		1E1   28355	
7 BRN		8 PAY PERIOD		9 PAY DATE		10 PAY PERIOD		11 PAY PERIOD		12 PAY PERIOD		13 PAY PERIOD		14 PAY PERIOD	
E-4		03 77   03   10		77   09   12		01   09   11		0013		6796		-31 JAN		810204	
15 PAY PERIOD		16 PAY PERIOD		17 PAY PERIOD		18 PAY PERIOD		19 PAY PERIOD		20 PAY PERIOD		21 PAY PERIOD		22 PAY PERIOD	
674		70		674		70		81		23		674		70	
23 PAY PERIOD		24 PAY PERIOD		25 PAY PERIOD		26 PAY PERIOD		27 PAY PERIOD		28 PAY PERIOD		29 PAY PERIOD		30 PAY PERIOD	
674		70		674		70		44		87		25		10	
31 PAY PERIOD		32 PAY PERIOD		33 PAY PERIOD		34 PAY PERIOD		35 PAY PERIOD		36 PAY PERIOD		37 PAY PERIOD		38 PAY PERIOD	
13		02		5		b		15		0		18		50	
39 PAY PERIOD		40 PAY PERIOD		41 PAY PERIOD		42 PAY PERIOD		43 PAY PERIOD		44 PAY PERIOD		45 PAY PERIOD		46 PAY PERIOD	
12011		1		81		02		15		323		00		8   02   28	
47 PAY PERIOD		48 PAY PERIOD		49 PAY PERIOD		50 PAY PERIOD		51 PAY PERIOD		52 PAY PERIOD		53 PAY PERIOD		54 PAY PERIOD	
322		00		8		02		28		322		00			
<p><b>5</b> BROUGHT FORWARD .61</p> <p><b>ENTITLEMENTS</b></p> <p>BASIC PAY 674.70</p> <p>BAQ (OR) INSUFF 138.30</p> <p>PRO/SEP RATIONS 122.14</p> <p>CMA (STANDARD) 11.10</p> <p>VAR HOUSING ALW 71.30 ZIP 92709 MULT 10.</p> <p>TOTAL 1'017.54</p> <p><b>DEDUCTIONS</b></p> <p>SAVINGS ALLOT 125.00 070 NAVY DC FCU</p> <p>FITW (FED TAX) 81.23</p> <p>FICA (SOCSEC TAX) 44.87</p> <p>SITM STATE TAX 25.10</p> <p>SGLI \$20'000 MAX 3.00</p> <p>VET EDU ASST PGM 75.00 TOTAL VEAP W/HELD TO DATE 975.00</p> <p>TOTAL 354.20</p> <p><b>PAYMENTS</b></p> <p>REGULAR PAYMENT 331.00 DATE 810130 OSSN 6102 VOU/PRNO 28355008</p> <p>REGULAR PAYMENT 332.00 DATE 810115 OSSN 6102 VOU/PRNO 28355007</p> <p>TOTAL 663.00</p> <p>CARRIED FORWARD .95</p> <p>STATE TAX PLAN S-10 STATE TAX W/HELD YTD 25.10</p> <p>STATE TAX WAGES YTD 674.70</p> <p>** TAX ADVANTAGE NOT COMPUTED THIS MONTH.</p> <p>DIRECT DEPOSIT BK/ADDRESS NAVY FCU WASHINGTON DC 20391</p>															
6		7		8		9		10		11		12		13	
PR NO		OSSN		DATE		AMOUNT		PR NO		OSSN		DATE		AMOUNT	

INFORMATION ON SAFETY/DEFENSE BONDS (MEMBER DEMONSTRATION) AVAILABLE FROM MARINE CORPS FINANCE CENTER ALLOTMENT BRANCH, KANSAS CITY MO 64107

MCFC 7270/70 (Rev. 11 80)

Fig 4-1. Sample LFS (front).

LEGEND - DEFINITION OF AREAS ON THE LEAVE AND EARNINGS STATEMENT

Block Description of Content

**SECTION A**

- 1 **NAME** - Last first middle initial
- 2 **SSN** - Social security number
- 3 **TYPE** This space is utilized to display unique annotations such as platoon number unusual status (e.g. deserter) IADT or other codes that denote location or category
- 4 **SERV** Branch of service (e.g. USMC USMCR)
- 5 **MCC DIST RUC** Member command code district, and Reporting Unit Code MCC RUC for USMC DIST RUC for USMCR

**SECTION B**

- 6 **GRADE** Pay grade to which Marine is entitled to receive basic pay
- 7 **YS** years of service for pay purposes
- 8 **PERD** Pay Entry Date Rate
- 9 **EMA DATE** Clothing maintenance allowance date for enlisted Marines not applicable to USMCR
- 10 **ECC** Expiration of current contract
- 11 **PL** Pay group
- 12 **USDB** Disbursing station symbol number. A number used to identify the disbursing officer currently servicing Marine's account
- 13 **PRD COVERED** Period covered. Used to specify the span of days covered by this leave and earnings statement
- 14 **DATE PREP** Date Prepared. This is the date the LES was prepared by the MCC/DIST/RUC File
- 15 **FED EXEMP** Federal tax exemptions. Marital status and number of exemptions claimed for federal tax purposes
- 16 **ST CODE** State tax code. An alphanumeric code is used to identify the state (or territorial district) designated by the member as his/her legal residence
- 17 **STATE EXEMP** State tax exemptions. Marital status and number of exemptions claimed for state tax purposes
- 17A **ALT AMT** Alternate amount. Alternate monthly amount of state tax to be withheld. This data will be tax in except when Marine has elected a fixed monthly amount of state tax to be withheld

**SECTION C**

- 18 **TAX INC THIS PRD** Total taxable income for the period covered
- 19 **TAX INC YTD** Taxable income year to date. This is the amount of taxable income earned by the Marine from the date of entry into service or from 1 January of the current year through the last day of the period covered
- 20 **FED TAX YTD** Federal tax year to date. Total amount of federal income tax withheld for the year including deductions for the period covered
- 21 **FICA WAGES THIS PRD** Money earned during period covered that are subject to deductions under the Federal Insurance Contributions Act
- 22 **FICA WAGES YTD** FICA wages year to date. The amount of wages earned for the year that are subject to social security tax
- 23 **FICA TAX YTD** FICA tax year to date. The amount of social security tax withheld on the Marine for the year. This includes withholdings on the amount shown in block 22
- 24 **STATE TAX YTD** State income tax withheld year to date. Amount of state income tax withheld from Marine's pay during current calendar year for present state of legal residence. This includes withholdings for period covered by this LES  
  
NOTE: A summary of state income tax withheld is provided on the LES for month during which a change of legal residence was processed
- 25 **LOCAL TAX YTD** Total amount of city, county or district tax withheld during current calendar year (this block currently not utilized)
- 26 **PAY STATUS** Used by administrative officials. This code identifies the particular pay status on the last day covered by the LES

Block Description of Content

**SECTION D**

- 27 **LY BF** Leave brought forward. The number of days of leave Marine had accrued at the end of the preceding period
- EARNED** Number of days leave earned during the period covered. Normally this will be 2.5 days
- USED** Number of days leave charged to the Marine since the previous LES was prepared
- BALANCE** Balance. The number of days accrued leave due the Marine
- LOST** Number of days in excess of 60 days dropped due to the change in the fiscal year
- MAX LY ACCRUAL** Total number of days the Marine can accrue based upon the current ECC date. Value is obtained by using the 1st day of the month following the period covered up to and including the ECC date
- 28 **POE CDD** Payment option election and check/cash option codes. The POE code is used to designate distribution of monthly pay. The CDD expresses the Marine's preference of check (code 1) or cash (code 2)
- 29 **DATE** Date of midmonth payday
- AMOUNT** Forecast of amount due on midmonth payday of the upcoming month
- 30 **DATE** Date of end of month payday
- AMOUNT** Forecast of amount due on end-of-month payday of the upcoming month

**SECTION E**

Blocks 31 through 34 are applicable to reservists only and will be utilized when REMMPS becomes operational

- 31 **Drills into**
- REG** Total regular and EUD drills performed this period
- REG FYTD** Total regular and EUD drills performed this fiscal year
- REG ANNYTD** Total regular and EUD drills performed this anniversary year
- ADD** Total additional drills performed and paid this period
- ADD FYTD** Total additional drills performed and paid for this fiscal year
- ADD ANNYTD** Total additional drills performed and paid for anniversary year
- 32 **Retirement into**
- RE ANNYTD** Ending balance of retirement credit points for anniversary year from prior month
- ACDU THIS PRD** Total days active duty this period
- DRILL THIS PRD** Total drills this period
- OTHER THIS PRD** Total all other credit points awarded this period
- YPR THIS PRD** Total Membership Points Awarded This Period
- END BAL ANNYTD** Total retirement credit points after this period for anniversary year to date
- 33 **TOTAL SAT YPS** Total satisfactory years credited for retirement purposes
- 34 **LAST SAT YR** Last satisfactory year completion date

**SECTION I**

Itemized listing of entitlements, deductions, and payments, also as mandatory remarks concerning specific LES data

**SECTION G**

**PAYMENTS** For use by field disbursing officers

Fig 4-2. Sample LES (back).

There are two common purposes for utilizing the forecast amounts due contained in blocks 29 and 30 of your LES. The first is to verify in advance of your next payday whether or not certain events affecting your pay account have been properly accepted by the computer, and the second is simply to determine the amount you are scheduled to be paid during the current month.

For example, assume that you are promoted to the next higher grade effective 1 September and that you received your LES for the period 1 through 31 August on 10 September. How can you determine in advance of the payday for 15 September whether or not your promotion was correctly recorded and accepted by the computer? Look at blocks 29 and 30 of your August LES. Block 29 will forecast the scheduled payment for the September midmonth payday, and block 30 will forecast the scheduled payment for the end of September. If your promotion was properly recorded and accepted by the computer, you should notice a marked increase in the amounts forecast on your LES for the two September paydays.

You can further verify that your promotion was properly effected when you receive your next LES (covering the period 1 through 30 September) since this LES will reflect the new data resulting from your promotion. In section B, block 6, your new grade will appear. In section C, blocks 18 and 21, you will notice an increased amount of taxable income and FICA wages. In section F, many changes will have occurred. With but a few exceptions, nearly all of your entitlements will increase, i.e., basic pay, quarters allowance, sea or foreign duty pay, variable housing allowance, etc. And since you are earning more taxable income as a result of your promotion, you will notice an increase in the amount of your state and Federal income tax deductions.

Another example of utilizing blocks 29 and 30 of your LES to verify whether or not a pay action has processed in your account is as follows:

Assume that you have been receiving \$225 per payday and that you are transferring to a new duty station next month. After completing a new budget, you have decided that you will need \$300 advance pay to be repaid in six monthly installments. You receive the advance pay on 20 August which means that the repayment will commence in September at \$50 per month ( $\$300 \div 6 = \$50$ ). Based upon this example, what forecast amount should you expect to see in blocks 29 and 30 of your August LES? Remember, you had been receiving \$225 per payday. Take a moment and develop an answer. If you determined that blocks 29 and 30 should have a forecast amount due of \$200 per payday, you are correct. Repayment of the advance pay at \$50 per month would be deducted over two paydays, thus, your pay would be reduced by \$25 per payday.

In addition to other areas of your LES, nearly all pay and certain personnel transactions processed within your account will have an effect on block 29, block 30, or both. Through practice and careful review, you should be able to utilize the information provided in these blocks to your advantage by being able to tell whether or not certain transactions have processed correctly into your account and what you can expect to receive for the next two paydays.

It is wise to carefully review every LES you receive. Even if nothing has occurred within the previous month which would affect your pay, a monthly review will help you to keep current regarding your pay and how to use your LES. Although your disbursing officer and commanding officer share a co-responsibility to review your LES, it is primarily your responsibility to ensure that data contained on your LES is correct. Should you discover an error or have any questions concerning your LES, you should seek assistance at your administrative office. Normally, your disbursing officer does not immediately become involved unless assistance is requested by your commanding officer. When making an inquiry or seeking assistance, you should have the LES in question with you and a specific inquiry in mind. Inquiries such as, "My pay is messed up," are extremely difficult to respond to. Once you become accustomed to reviewing your LES, problems encountered or detected should be easy to define and resolve.

In case you're wondering what to do with your LES each month after you have reviewed it and reported and resolved any errors, you should file it in a folder with the rest of your LES's. This will provide you with a complete and permanent record of your leave and earnings, and will be of particular assistance to you if you need to refer to your LES's at a later date.



**EXERCISE:** Answer the following questions and check your response against those listed at the end of this study unit.

1. Utilizing the LES contained in figure 4-1, answer the following: (Note: Do not refer to the legend on the reverse of the LES (figure 4-2) unless absolutely necessary.)
  - a. Assuming that you were recently married and have taken action to have less Federal income tax withheld, what block would you check to see that the computer correctly changed your marital status and number of exemptions? Block # \_\_\_\_\_
  - b. Assuming that you have just completed 2 years of service in the Marine Corps, what block on the LES would you check to verify that the computer has correctly identified and upgraded your account to reflect this? Block # \_\_\_\_\_
  - c. What blocks on the LES would you check to determine how much you are scheduled to be paid during the current month? Blocks # \_\_\_\_\_ and \_\_\_\_\_
2. What are two purposes for utilizing the forecast amounts due on the LES?
  - a. \_\_\_\_\_
  - b. \_\_\_\_\_
3. If you discover an error or have questions concerning your LES, you should seek assistance at your
  - a. disbursing office.
  - b. administrative office.
  - c. legal assistance office.
  - d. supply office.

**Work Unit 4-2. THE LEAVE ACCOUNT**

**BRIEFLY DESCRIBE EACH AREA IN BLOCK 27 OF THE LES.**

**COMPUTE A FUTURE LEAVE BALANCE.**

A large percentage of all overpayments which occur upon separation from the Marine Corps are as a result of excess leave or miscalculation of lump sum leave (LSL) settlement. Therefore, leave accounting should be of particular importance to all Marines. No one can easily afford the loss of pay and allowances due to excess leave while on active duty, nor can they afford an indebtedness upon separation during transition to civilian life. By learning to audit your leave account and knowing what your leave balance is at all times, you can avoid becoming overpaid or entering an excess leave status.

Block 27 of section D on your LES (depicted below) contains the information you will need to know. An explanation of each area within block 27 appears in the legend on the reverse of each LES. A more detailed explanation, with accompanying text, is as follows:

SEC	27. LV BF	EARNED	USED	BAL	EXCESS	MAX LV ACCUMUL	LOSS

- **LV BF** - Leave brought forward. This is the number of days and/or half days of leave due or advance at the end of the preceding period (the previous LES balance).

Half days are written as .5. Thus, twenty-one and one-half days would be written as 21.5. When an advance leave balance exists or is brought forward (leave taken in advance of that earned), a minus sign (-) will precede the number of days.

● **EARNED** - This is the number of days leave earned during the period covered.

Marines earn leave at the rate of two and one-half days for each full month of active service. When active service begins or ends on an intermediate day of the month, leave is earned according to the following table:

<u>NUMBER OF DAYS SERVED</u>	<u>AMOUNT OF LEAVE EARNED</u>
1 through 6	0.5 days
7 through 12	1.0 days
13 through 18	1.5 days
19 through 24	2.0 days
25 through 31	2.5 days

For example, assume that you entered active service on 13 April. Since you served on active duty for 18 days during the month of April (from 13 through 30 April), you would earn 1.5 days leave for that month. If your active service ended on 13 April, you would earn 1.5 days for active service of 13 days (from 1 through 13 April).

Leave is only earned while in a good duty status. Leave is not earned during periods of time lost. For example, leave is not earned during periods of confinement resulting from a court-martial sentence, nor during periods of unauthorized absence (UA) or confinement by civil authorities, unless the absence is excused by your commanding officer. Also, leave is not earned during periods of excess leave, which will be explained below. Though others exist, these are the most common statuses for which leave is not earned. These periods are referred to as nonaccrual periods. When computing nonaccrual periods for leave not earned, the number of days time lost in each individual month is totaled. One-half day of nonaccrual will then be awarded for each 6-day period (or portion thereof) according to the same table used for leave accrual.

For example, assume that a Marine was UA from 10 through 12 August and the absence was not excused. How many days leave would the Marine accrue for the month of August? The answer is 2 days. One-half day would be "unearned" for the 3 days time lost. Or, assume that the same Marine was also UA from 17 through 26 August. In this instance, the Marine would only accrue 1 day of leave for the month of August since a total of 13 days time lost would result in 1.5 days nonaccrual.

● **USED** - This is the number of days leave or delay charged since the previous LES was prepared.

● **BALANCE** - This is the number of days leave due as of the end of the period covered.

● **EXCESS** - This is the number of days leave charged without pay for leave taken in excess of leave that can be earned through the expiration of current contract (ECC) date (block 10 of the LES).

● **MAX LV ACCRUAL** - Maximum leave accrual. This is the total number of days leave that can be accrued through the current ECC date (block 10 of the LES).

This area will be utilized to assist in computing a future leave balance. This is extremely important to you, because its proper use can prevent an excess leave status and assist you in planning for leave you wish to take.

For example, assume that you are planning to take 15 days leave over the Christmas holidays. Your current leave balance is 2.5 days as of 31 October, and your ECC date is 31 March of the following year. Will you accrue enough leave through your ECC to avoid an excess leave status if you take 15 days leave? Yes, you will, assuming that no other leave is taken prior to your ECC and that no nonaccrual periods occur. The "MAX LV ACCRUAL" area on your October LES will indicate that you can earn 12.5 days of leave through your ECC for 5 full months of remaining service (1 November through 31 March @ 2.5 days earned per month,  $5 \times 2.5 = 12.5$ .) The leave you can accrue through your ECC plus the 2.5 days balance due as of 31 October total 15 days. Thus, you would not enter an excess leave status under these circumstances.

As another example, assume that as of 30 April your leave balance is in an advance status of 25 days (-25.0) and your ECC date is 15 June of the following year. How many days leave could you take prior to your ECC without entering an excess leave status? The "MAX LV ACCRUAL" area of block 27 will show that 34.0 days can be earned for 13 full months and 15 days remaining service (13 months @ 2.5 days earned per month, and 15 days @ 1.5 days earned,  $13 \times 2.5 = 32.5 + 1.5 = 34.0$ .) Thus, you could take 9 days leave prior to your ECC without entering an excess leave status since the advance balance of -25.0 days will be offset by leave earned (-25.0 + 34.0 = 9.0).

Two important things to remember about computing a future leave balance are that the "MAX LV ACCRUAL" is based on your current ECC date, and that when computing future leave balances, you must consider all leave you may wish to take prior to your ECC, not just one period at a time. Otherwise, should an emergency situation arise, you may be forced to take leave which will be excess leave, or you could be denied leave altogether.

- **LOST** This is the number of days accrued leave in excess of 60 days which must be dropped (by law) due to the change in the fiscal year. (Accrued leave in excess of 60 days cannot normally be carried forward from one fiscal year to the next.)

You should now be familiar with each area in block 27 of the LES and should be able to readily identify errors which may occur. As with pay and personnel data, it is also each Marine's responsibility to ensure that leave data is correctly recorded and computed on the LES. If you take a period of leave which does not appear on your LES soon thereafter, you should immediately advise your administrative officer. The error will invariably be discovered at a later date, and late reporting of the period will reduce what appeared to be your current leave balance or possibly result in a charge for excess leave.

With knowledge of the information provided in this work unit, you should now be able to audit your leave account and know what your leave balance is at all times. By doing so, you can avoid entering an excess leave status (which would result in a loss of pay and allowances), and you can ensure that your leave account is correct.

**EXERCISE:** Answer the following questions, and check your responses against those listed at the end of this study unit.

1. Describe, in brief, what information will be shown in each area of block 27 on the LES.
  - a. LV BF - \_\_\_\_\_
  - b. EARNED - \_\_\_\_\_
  - c. USED - \_\_\_\_\_
  - d. BAL - \_\_\_\_\_
  - e. EXCESS - \_\_\_\_\_
  - f. MAX ACCRUAL - \_\_\_\_\_
  - g. LOST - \_\_\_\_\_
  
2. Using the leave accrual table furnished on page 4-6, answer the following:
  - a. A Marine has an advance leave balance of 21.0 days as of 31 August, an ECC date of 21 July of the following year, no periods of nonaccrual, and takes no further leave. What will the Marine's leave balance be at the ECC date? \_\_\_\_\_
  - b. A Marine has a leave balance of 10.5 days as of 31 March. The Marine was in an unauthorized absence status from 2 through 6 April and from 7 through 16 April. What will the Marine's leave balance be as of 30 April? \_\_\_\_\_
  - c. A Marine is considering going on leave for 15 days, has a leave balance of 4.0 days as of 30 June, and has an ECC date of 31 August of the same year. What will occur if the Marine is allowed to go on leave for 15 days? \_\_\_\_\_



## Section II. SECTION F OF THE LES AND PAY COMPUTATION.

### Work Unit 4-3. SECTION F OF THE LES

BRIEFLY DESCRIBE EACH OF THE SIX AREAS IN SECTION F OF THE LES.

STATE THE DIFFERENCE BETWEEN CONTINUING AND ONE-TIME ELEMENTS OF PAY, AND LIST THREE EXAMPLES OF EACH.

Many Marines are often confused or bewildered concerning their pay, but this simply does not have to be the case. You owe it to yourself to become as keenly aware of your pay entitlements and deductions as possible. Probably the best source for obtaining this knowledge is your monthly LES, particularly section F of your LES.

Section F of the LES contains six areas. A brief description of each follows:

- BROUGHT FORWARD This is the amount of money carried forward from the previous LES. The amount may be none, an amount unpaid, or an amount overpaid. An amount overpaid will be preceded by a minus sign (-).
- ENTITLEMENTS This is an itemized listing, with amounts, of all one-time or continuing entitlements to pay and allowances.
- DEDUCTIONS This is an itemized listing, with amounts, of all one-time or continuing deductions made from your pay account.
- PAYMENTS This is a listing with amounts and payroll data of all regular (scheduled midmonth and end-of-month) and special (other than midmonth and end-of-month) payments made to you.
- CARRIED FORWARD This is the amount unpaid or overpaid at the end of the LES period. The amount will be carried forward to the "brought forward" area of the next LES. Amounts overpaid will be preceded by a minus sign (-).
- REMARKS This area is not actually entitled "REMARKS," but appears immediately following the "CARRIED FORWARD" area. This area will contain information printed as a result of data entered to the pay account by various means of input or data that results from normal internal computer transactions.

The above descriptions of the "BROUGHT FORWARD," "PAYMENTS," and "CARRIED FORWARD" areas of section F are fairly self-explanatory. The remaining areas, however, require further explanation, beginning with the "ENTITLEMENTS" area. First, however, you must know that the difference in continuing and one-time elements of pay (entitlements and deductions) is that continuing elements are used when computing "norm" pay due, while one-time elements are not. This is very important in understanding the process of pay computation, which will be discussed in detail in the next work unit, and in recognizing the elements as they appear on your LES.

The "ENTITLEMENTS" area of section F will reveal exactly what your current entitlements are. You must first understand the two types of entitlements which will appear in this area. The first are those which appear on a continuing basis, and include, but are not limited to, entitlements such as basic pay, quarters allowance, clothing maintenance allowance, variable housing allowance, and pay for performing sea or foreign duty service, aviation duty, or special duty assignments (drill instructors, recruiters, etc.). Continuing entitlements are used to compute a regular or "norm" amount of pay due.

The other entitlements which appear in this area are those which occur on a one-time basis. Examples of these types of entitlements include, but are also not limited to, payment of advance pay, enlistment and reenlistment bonuses, leave rations or separate rations for proceed time, temporary lodging allowance, etc. Other one-time entitlements are those which may appear as a result of adjustments made to your pay account by your disbursing officer or commanding officer. One-time entitlements will not be used in computing a norm payment, since they do not occur on a continuing basis. Rather, they will effect an increase to your pay only once. Further clarification and methods of computing pay based on continuing and one-time entitlements will be provided in the next work unit.

The next area for discussion, the "DEDUCTIONS" area, is very similar to the entitlements area. Continuing and one-time deductions from your pay account will be made here, and affect your pay in the same manner as continuing entitlements do. That is, continuing deductions will be used in computing your norm pay, while one-time deductions will not. Examples of continuing deductions include, but are not limited to, allotments, Federal income tax (FITW), social security tax (FICA), state income tax (SITW), Servicemen's Group Life Insurance (SGLI), contributions to the Veterans Educational Assistance Program (VEAP), Government quarters checkage, nonjudicial punishment or court-martial forfeitures, repayment of advance pay, and liquidation of indebtedness. Examples of one-time deductions include, but are also not limited to, transportation checkages, clothing checkages or issues, government property checkages, and excess costs for shipment of household effects. Other one-time deductions are those which appear as a result of adjustments made to your pay account by your disbursing officer or commanding officer. Further clarification and methods of computing pay based on continuing and one-time deductions will be provided in the next work unit.

The final area on the LES for discussion is the "REMARKS" area. This area contains information that appears as free form printing, either as a result of data entered into your account by your disbursing officer or commanding officer, or that resulting from normal internal computer transactions.

Information will appear in this area during each month that changes in your pay or pay status occur. For example, a promotion or reduction in pay grade will be shown as "PAY GRADE CHANGED EFFECTIVE (DATE)." Or, an increase in pay resulting from completion of a period of service would be shown as "COMPLETED (#) YEARS SERVICE FOR PAY (DATE)." A period of leave taken would be shown as "ANN LEAVE 0001 (DATE) TO 2359 (DATE) FOR (#) DAYS." A change in your tax withholding status would appear as "(FED OR STATE) TAX PLAN CHANGED TO (EXEMPTION) FROM (DATE)." Many other statements will appear within this area. Most are easily understood and are an excellent source of information to determine what changes have occurred in your pay and pay status. In the event that statements appear which you are not familiar with or do not understand, you should request assistance from your commanding officer or his designated representative.

Additional information will appear in the "REMARKS" area once a year on what is termed an "annual LES." The annual LES is nothing more than a monthly LES with additional information provided. This information includes several elements which pertain to your leave account, reenlistment bonus data, aviation duty data, and career sea service data. The information provided on the annual LES is an invaluable record and may be used to ensure that your leave, reenlistment bonus, and, if applicable, aviation duty or career sea service data, are current and correct. Any discrepancies noted should immediately be brought to the attention of your commanding officer or his direct representative.

Production of the annual LES is based on the last digit of each Marine's SSN. So that you will know when to expect your annual LES, the following production schedule is provided:

<u>Last Digit of SSN</u>	<u>Annual LES Covers 12-Month Period Through</u>	<u>Approximate Time Annual LES Is Produced</u>
1	January	5 February
2	February	5 March
3	March	5 April
4	April	5 May
5	May	5 June
6	June	5 July
7	July	5 August
8	August	5 September
9	September	5 October
0	October	5 November

**EXERCISE:** Answer the following questions, and check your responses against those listed at the end of this study unit.

1. Describe in brief, each of the six areas contained in section F of the LES.
  - a. BROUGHT FORWARD - \_\_\_\_\_.
  - b. ENTITLEMENTS - \_\_\_\_\_.
  - c. DEDUCTIONS - \_\_\_\_\_.
  - d. PAYMENTS - \_\_\_\_\_.
  - e. CARRIED FORWARD - \_\_\_\_\_.
  - f. REMARKS - \_\_\_\_\_.
2. State the difference between elements of pay that occur on a continuing basis and a one-time basis.  
\_\_\_\_\_.
3. List three examples each of continuing entitlements and deductions, and three examples each of one-time entitlements and deductions.
  - a. Continuing Entitlements.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
  - b. Continuing Deductions.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
  - c. One-time Entitlements.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
  - d. One-time Deductions.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### Work Unit 4-4. PAY COMPUTATION

STATE THE THREE-STEP PROCESS USED IN NORM PAY COMPUTATION.

IDENTIFY THE DIFFERENCE BETWEEN NORM AND VARIABLE PAY.

STATE WHY DELAYS MAY OCCUR FROM THE EFFECTIVE DATE OF A PAY ADJUSTMENT TO THE DATE THE PAY ACCOUNT IS ACTUALLY CHANGED.

COMPUTE NORM PAY BASED ON INFORMATION CONTAINED IN SECTION F OF THE LES.

By now, you should have become very familiar with the LES. You have gained knowledge concerning your entitlements and deductions which appear in section F of the LES. By putting this knowledge to practical use, you will be able to compute norm pay.

Norm pay may be computed in a simple, three-step process:

- First, add and total your continuing entitlements.
- Second, subtract your continuing deductions from the total continuing entitlements. This will result in the amount of pay you are due for the month.
- Third, since Marines are paid twice a month and the LES contains monthly information, divide the amount of pay due by two. This will result in the norm amount of pay you are due.

For example, assume that your continuing entitlements total \$515.20 per month and your continuing deductions total \$315.20 per month. This would result in pay due of \$200 per month ( $\$515.20 - \$315.20 = \$200$ ) or a norm due of \$100 per payday ( $\$200 \div 2 = \$100$ ). Keep in mind that this example is extremely basic and that other considerations must be made when computing norm pay.

First, you must know that for the sake of convenience, only full dollar amounts are made as payments, even though cents may be remaining as due. This explains why in most instances, an amount due carried forward exists on your LES. At times, due to the complexities involved in pay computations made by the computer, this amount will even exceed one dollar. This can affect the amount of pay you will receive on the midmonth payday. Assume, for example, that you have a norm pay of \$263 per payday and that an amount carried forward of \$1.13 exists on your current LES. In this instance, you would probably receive \$264 on the next midmonth payday and \$263 on the next end-of-month payday. This may seem insignificant, but it serves to explain why your norm pay may vary from payday to payday, even though no major transactions have occurred within your account.

The next point for consideration concerns pay computations which involve one-time entitlements or deductions. As previously stated, one-time entitlements will not be utilized when computing norm pay. Rather, these entries will result in what is termed a variable amount of pay due. Computing pay when there is a variable amount of pay due can be an extremely involved process and will not be covered in detail within this course. However, two simple examples of variable amounts of pay resulting from a one-time entitlement and a one-time deduction are provided as follows:

Assume that blocks 29 and 30 of your May LES reflect a forecast amount due of \$173 for the June midmonth payday and \$172 for the June end-of-month payday. You take 10 days leave during the period 4 through 13 June, and receive \$173 on the midmonth June payday. Since you are entitled to leave rations at a daily rate of \$3.94, you are due an additional \$39.40 for 10 days of leave rations. Although block 30 of your May LES reflected a forecast amount due (your norm) of \$172, you receive \$211 on the end-of-month payday. This variable payment occurred directly as a result of the computer crediting your account with the \$39.40 leave rations - a one-time credit which changed your norm amount of pay to a variable amount of pay.

As an example of a one-time deduction affecting your norm pay, again assume that blocks 29 and 30 of your May LES reflect forecast amounts due of \$173 and \$172 for paydays in June. You receive your norm pay of \$173 on the midmonth June payday. On the 16th of June, your disbursing officer receives and processes a voucher charging your account \$43.28 for transportation costs incurred while on emergency leave during May. On the end-of-month June payday, you receive a payment of \$129. Although block 30 of your May LES had forecast your norm payment of \$172, you were paid a variable amount as a result of the one-time deduction for transportation costs.

There are two other facts you must know concerning pay computation. First, that you should not expect most situations to be as simple or as rapidly processed as the examples just provided. While not attempting to explain the entire process of the Marine Corps computerized pay and personnel system, you must understand that although transactions which affect your pay are reported on a timely basis, they are only processed twice a month, usually on the 5th and 20th. As a result, certain delays are bound to occur from the effective date of a pay adjustment to the point in time when the adjustment actually changes your pay. However, by monitoring and monthly review of your LES, you will be able to determine whether or not an expected increase or decrease to your monthly pay has occurred.

The final point for consideration involves a clarification of the effect of one-time deductions as opposed to one-time entitlements. One-time entitlements, when properly input and processed by the computer, will only affect one payday. One-time deductions, on the other hand, can affect more than one payday. Obviously, if you have a norm pay of \$100 per payday and an adjustment to your account requires a one-time deduction of \$125, you would not be able to reduce your norm pay by an amount in excess of your norm pay. In a case such as this, depending upon the reason for the one-time deduction, a liquidation of indebtedness could be established, allowing you to repay the deduction over a period of time as opposed to one or two paydays. However, the regulations governing liquidation of indebtedness are strict, so this may not always be allowed when one-time deductions exceed your norm pay.

It has not been the intent of this work unit to teach you all there is to know about pay computation. To do so would involve an entire course, as opposed to one work unit. It is hoped, however, that you have learned the fundamentals of pay computation and can utilize the knowledge you have gained to compute and understand your own pay account.

**EXERCISE:** Answer the following questions, and check your responses against those listed at the end of this study unit.

1. There are three steps in the process of computing norm pay. What are they?
  - a. \_\_\_\_\_
  - b. \_\_\_\_\_
  - c. \_\_\_\_\_
  
2. The difference between norm and variable pay is that norm pay is
  - a. received on the midmonth payday and variable pay is received on the end-of-month payday.
  - b. computed using continuing entitlements and deductions and variable pay is not.
  - c. computed using one-time entitlements and deductions and variable pay is not.
  - d. the amount shown in blocks 29 and 30 of the LES and variable pay is not.
  
3. Often, delays are encountered from the time the effective date of a pay adjustment occurs and the time the adjustment actually changes the pay account. State why this occurs.
 

\_\_\_\_\_
  
4. Using the following section F of an April LES, compute the amount of pay which will be due for the upcoming midmonth and end-of-month paydays. Record your answers as they would appear in blocks 29 and 30 of this LES.

		FOREGOING AMOUNTS	ID DATE	AMOUNT	ID DATE	AMOUNT
BROUGHT FORWARD	.32					
<b>ENTITLEMENTS</b>						
BASIC PAY	519.60					
PARTIAL BAQ	7.80					
CMA (BASIC)	6.30					
TOTAL	533.70					
<b>DEDUCTIONS</b>						
CHARITY ALLOT	5.00	151		COMBINED FED CAMPAIGN		
FITW (FED TAX)	52.58					
FICA (SOCSEC TAX)	31.85					
SITW (STATE TAX)	7.93					
SGLI \$20,000 MAX	3.00					
VET EDUC ASST PGM	75.00			TOTAL VEAP W/HELD TO DATE	525.00	
TOTAL	175.36					
<b>PAYMENTS</b>						
REGULAR PAYMENT	179.00		DATE	DSSN	YOU/PRNO	
REGULAR PAYMENT	179.00		800530	0167	36000016	
TOTAL	358.00		800515	0167	36000015	
CARRIED FORWARD	.66					

5. Your norm pay is \$188. If a checkage for \$76 is processed in your account on the 18th of the month, what pay would you receive on each of the next two paydays?
  - a. End-of-month payday \$ \_\_\_\_\_
  - b. Middle of next month payday \$ \_\_\_\_\_



## SUMMARY REVIEW

In this study unit, you learned where to locate information on the LES and to utilize blocks 29 and 30 of the LES to determine in advance of your next payday if a pay transaction had posted to your account or to determine the amount you would be paid during the current month. You learned to seek assistance at your administrative office if problems or questions arise concerning your LES, and that you are primarily responsible for the accuracy of data contained on your LES.

You can now describe each area in block 27 of the LES and can utilize data contained therein to compute current and future leave balances.

You can also describe the six areas in section F of the LES ("BROUGHT FORWARD," "ENTITLEMENTS," "DEDUCTIONS," "PAYMENTS," "CARRIED FORWARD," and "REMARKS"). You learned the difference between continuing and one-time entitlements and deductions and now know examples of each.

Finally, you learned the difference between norm and variable pay, why delays occur from the effective date of a pay transaction and the date your pay actually changes, and to compute norm pay using a three-step norm pay computation process.

### Answers to Study Unit #4 Exercises

#### Work Unit 4-1.

1. a. Block #15.  
b. Block #7.  
c. Blocks #29 and 30.
2. a. To determine in advance of your next payday whether or not certain events affecting your pay account have been properly accepted by the computer.  
b. To determine the amount you are scheduled to be paid during the current month.
3. b.

#### Work Unit 4-2.

1. a. The number of days or half days of leave accrued as of the end of the prior reporting period (previous LES).  
b. The number of days leave earned during the period covered.  
c. The number of days leave charged since the previous LES was prepared.  
d. The number of days leave due as of the end of the period covered.  
e. The number of days leave charged without pay for leave taken in excess of that which can be earned through the ECC date.  
f. The total number of days leave which can be earned through the ECC date.  
g. The number of days in excess of 60 dropped by law due to the change in the fiscal year.
2. a. 6.0 days due.  
b. 11.5 days due.  
c. The Marine will have taken 3 days leave in excess of that which could be earned through the ECC date.

#### Work Unit 4-3.

1. a. The amount of money carried forward from the previous LES. The amount may be none, an amount unpaid, or an amount overpaid.  
b. An itemized listing, with amounts, of all one-time or continuing entitlements to pay and allowances.  
c. An itemized listing, with amounts, of all one-time or continuing deductions made from your account.  
d. A listing with amounts and payroll data of all regular and special payments made to you.  
e. The amount unpaid or overpaid at the end of the LES period. Will be carried forward to the "BROUGHT FORWARD" area of the next LES produced.  
f. Information printed as a result of data entered to the pay account by various means of input or data resulting from normal internal computer transactions.
2. Continuing elements of pay will be used when computing norm pay and one-time elements of pay will not.

3. a. Continuing Entitlements.  
 Basic pay  
 Sea duty pay  
 Foreign duty pay  
 Aviation duty pay
- Quarters allowance  
 Clothing maintenance allowance  
 Variable housing allowance  
 Pay for special duty assignments  
 (drill instructors, recruiters)
- b. Continuing Deductions.  
 Federal income tax (FITW)  
 State income tax (SITW)  
 Social security tax (FICA)  
 Government quarters checkage  
 Non-judicial punishment  
 Court-martial forfeiture  
 Repayment of advance pay
- Contributions to the Veterans Educational Assistance Program (VEAP)  
 Servicemen's Group Life Insurance (SGLI)  
 Liquidation of indebtedness
- c. One-time Entitlements.  
 Payment of advance pay  
 Temporary lodging allowance  
 Leave rations or separate rations
- Enlistment bonus  
 Reenlistment bonus
- d. One-time Deductions.  
 Transportation checkages  
 Government property checkages  
 Clothing checkages or issues
- Excess cost for shipment of household effects

Work Unit 4-4.

1. a. Add your continuing entitlements.
- b. Subtract your continuing deductions.
- c. Divide the sum by two.
2. b.
3. This occurs because although transactions which affect your pay are reported on a timely basis, they are only processed twice a month, usually on the 5th and the 20th.
- 4.

FORECAST AMOUNTS	20 DATE	AMOUNT	20 DATE	AMOUNT
	05/15	179 00	05/30	179 00

5. a. \$112
- b. \$188

## PERSONAL FINANCE

### REVIEW LESSON

**Instructions:** This review lesson is designed to aid you in preparing for your final exam. You should try to complete this lesson without the aid of reference materials, but if you do not know an answer, look it up and remember what it is. The enclosed answer sheet must be filled out according to the instructions on its reverse side and mailed to MCI using the envelope provided. The questions you miss will be listed with references on a feedback sheet (MCI-R89) which will be mailed to your commanding officer with your final exam. You should study the reference material for the questions you missed before taking the final exam.

- A. Multiple Choice:** Select the ONE answer that BEST completes the statement or answers the question. Blacken the appropriate box after the corresponding number on the answer sheet.

Value: 1 point each

1. In brief, a budget is a plan to spend. However, a properly prepared and maintained budget can be referred to as a plan for
  - a. increasing savings.
  - b. reducing expenses.
  - c. increasing income.
  - d. sound financial management.
2. Two of the three basic elements of a budget are net income and fixed expenses. The third element is
  - a. gross income.
  - b. take-home pay.
  - c. variable expenses.
  - d. net expenses.
3. Expenses such as food, clothing, gas and oil for your automobile, and entertainment are examples of
  - a. gross income.
  - b. take-home pay.
  - c. variable expenses.
  - d. net expenses.
4. In budget preparation, you should utilize your net income as opposed to gross income since your
  - a. net income is the amount you actually have available to meet payment of your obligations.
  - b. gross income includes deductions for allotments.
  - c. gross income includes anticipated income.
  - d. net income will vary from month to month.
5. Numerous miscellaneous expenses should not be recorded under a "catch-all" category because
  - a. those recorded for a 2-month period probably do not represent all of your expenses.
  - b. a true picture of how money was spent on these expenses will not be presented.
  - c. a certain amount of money will always be unaccounted for.
  - d. they are not known or foreseeable expenses.
6. Keeping complete and accurate records which take into consideration all known and foreseeable expenses is
  - a. monthly-basis budgeting.
  - b. quarterly-basis budgeting.
  - c. income/expense budgeting.
  - d. the key to proper budgeting.
7. The reason to show Marine Corps allotments as a footnote to your budget format is to
  - a. declare them as an expense.
  - b. remind you of their purpose.
  - c. indicate a reduced net income.
  - d. indicate a reduced gross income.
8. You are computing a budget based on net monthly income of \$550 and have determined that 20 percent of your net income should be allotted for food and groceries each month. How much money should be budgeted for this expense?
  - a. \$175
  - b. \$100
  - c. \$105
  - d. \$110

9. You are now computing a budget based on a net monthly income of \$800 and know that your monthly rent payment is \$150. What percent of your income should you record for this expense?
- a. 20 percent  
b. 25 percent  
c. 30 percent  
d. 40 percent
10. After computing your entire budget, you have determined that your monthly income greatly exceeds your monthly expenses. To remedy the situation, you should
- a. attempt to reduce your fixed expenses.  
b. attempt to reduce your variable expenses.  
c. immediately obtain a loan.  
d. increase the percentage of income allotted for savings.
11. The option of receiving an advance payment when making a permanent change of station move is available
- a. only to Marines transferring to an overseas station.  
b. only to Marines transferring from an overseas station.  
c. to most Marines.  
d. only to Marines who are moving dependents with them.
12. One step which should be taken in preparation for a permanent change of station move is to reduce your spending for variable expenses. The other is to
- a. ensure that your spouse can find a part-time job at the new duty station.  
b. request an advance pay.  
c. reduce your spending for fixed expenses.  
d. prepare a new budget which will take into consideration new expenses you will incur.
13. Under VEAP, the Veterans Administration will match a service member's contribution toward an education fund on a
- a. 1-for-1 basis.  
b. 2-for-1 basis.  
c. 3-for-1 basis.
14. Marines who enlisted prior to 31 December 1976 are covered under the
- a. SGLI Bill.  
b. G. I. Bill.  
c. VEAP.  
d. V. A. Bill.
15. Maximum life insurance coverage for married Marines
- a. is provided through Servicemen's Group Life Insurance (SGLI).  
b. would include coverage for the Marine and the Marine's spouse and children.  
c. would require increased coverage for the Marine only.  
d. is provided at about the same rate by all insurance companies.
16. A bill paying account allows you to have payments made from the account yet receive interest as if it were a savings account. A similar service is offered in what is termed
- a. Direct Deposit.  
b. a mutual trust account.  
c. a combination account.  
d. a savings and loan account.
17. A special service offered by some financial organizations which does not require a service charge is the use of a special unaccompanied tour/TDY checking account. One other service for which a fee is not charged is the use of
- a. combination accounts.  
b. bill paying accounts.  
c. credit union share draft accounts.  
d. credit cards to back up checking accounts.
18. As it is unwise to carry or leave large amounts of cash around, you should
- a. strictly use credit cards.  
b. purchase a combination safe.  
c. entrust it to a friend who lives off-base.  
d. open a checking account.

B. Matching: Column 1 (items 19-23) lists terms associated with checking accounts. Match the definition provided in column 2 with the correct term listed in column 1. For each item, select ONE letter (a, b, c, d, or e) indicating your choice. Blacken the appropriate box after the corresponding number on the answer sheet.

Value: 1 point each

Column 1	Column 2
<u>Term</u>	<u>Definition</u>
19. Checkbook	a. A listing of previous and ending account balances, deposits made, checks written, and service charges (if any).
20. Check register	b. An itemized listing of the cash and checks you put into your account.
21. Deposit slip	c. Amounts of cash and/or checks which you put into your account.
22. Deposit	d. A package of blank checks which you will use to instruct the bank to pay money from your account.
23. Bank statement	e. A separate record in your checkbook on which you record data for checks written and deposits made.

C. Multiple Choice: Select the ONE answer that BEST completes the statement or answers the question. Blacken the appropriate box after the corresponding number on the answer sheet.

24. Of the three following deposit slips, which one has been completed correctly?

a.

CHECKING ACCOUNT DEPOSIT TICKET

**JOHN DOE**  
6789 MAIN STREET  
PINESTONE, MO. 61234

DATE 20 Oct 19 91

MICROWAVE FOR CASH RECEIPTS NOT REQUIRED

CASH	CURRENCY	8 00	
	COIN	50	
<del>THE PAYEE</del>		<del>302 00</del>	
TOTAL		307 46	
LESS AMOUNTS		-	
NET DEPOSIT		307 46	

80-0000  
TOTO

USE OTHER SIDE FOR ADDITIONAL LISTING

**First State Bank**  
5432 Grand Street  
Pinestone, MO 61234

246 7<sup>th</sup> 576 220<sup>th</sup>



b.

NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT DEBIT (-)	✓	FEE IN AMT.	DEPOSIT CREDIT (+)	BALANCE
							121 61
644	2/21	E-2 Shoppe groceries	12 61				126 00
645	2/22	Sub-On Gas Co. auto repair	18 00				204 00
646	3/2	gaboon Clothing Store clothing	22 34				226 34
	3/4	Deposit				166 00	392 34

c.

NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT DEBIT (-)	✓	FEE IN AMT.	DEPOSIT CREDIT (+)	BALANCE
							121 61
644		E-2 Shoppe	12 61				134 22
645		Gasoline	18 00				216 22
646		Clothes	22 34				238 56
	3/4	Deposit				166 00	404 56

26. Of the three following checks, which one has been completed correctly?

a.

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO 64030

NO. 384  
80-0998  
TOTAL

PAY TO THE ORDER OF Clothing Boutique \$ 22<sup>99</sup>

Twenty and 99/100 DOLLARS

First State Bank  
6428 Grand Street  
Pinestone, MO 64034

VIEW: gift for Mom John Doe

⑆10101 ⑆ 24681⑆ 576220⑆

b.

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO 64030

NO. 384  
80-9999  
1010

19 \_\_\_\_\_

PAY TO THE ORDER OF Clothing Boutique \$ 22.00

Twenty-two and 00/100 DOLLARS

First State Bank  
6428 Grand Street  
Pinestone, MO 61824

MEMO gift for mom John Doe

⑆ 10101 ⑆ 2468⑈ 576220⑈

c.

JOHN DOE  
6789 MAIN STREET  
PINESTONE, MO 64030

NO. 384  
80-9999  
1010

19 18 Dec 81

PAY TO THE ORDER OF Clothing Boutique \$ 22.00

Twenty-two and 00/100 DOLLARS

First State Bank  
6428 Grand Street  
Pinestone, MO 61824

MEMO gift for mom John Doe

⑆ 10101 ⑆ 2468⑈ 576220⑈

27. After making a deposit to your checking account, what will serve as proof that you made the deposit if it is not recorded on your bank statement and the deposit slip is not returned with the statement?
- The deposit entry you made in your check register
  - The current balance shown in your check register
  - The receipt the bank gave you when you made the deposit
  - The cancelled checks that you wrote after making the deposit
28. Your signature alone on the reverse of a check payable to you is an example of a
- restrictive endorsement.
  - personal endorsement.
  - special endorsement.
  - blank endorsement.
29. A restrictive endorsement would consist of
- your signature above the words "Pay to the order of (name of second party)."
  - your signature below the words "Pay to the order of (name of second party)."
  - the words "For Deposit Only."
  - your signature alone.



30. An example of a special endorsement would be the words
- "For Deposit Only" above the name of the second party.
  - "For Deposit Only" and the name of the second party above your signature.
  - "Pay to the Order of ( name of the second party)" above your signature.
  - "Pay to the Order of (name of the second party)."
31. When recording data in your check register, the amount of the check you are going to write will be recorded under the column entitled
- "DESCRIPTION OF TRANSACTION."
  - "PAYMENT/DEBIT."
  - "FEE (if any) (-)."
  - "DEPOSIT/CREDIT (+)."
32. The final step in recording a transaction in your check register is to
- record the bank service charge.
  - indicate by use of a check mark (✓) whether or not the check was written for an expense which will reduce your taxable income.
  - compute and record the new checking account balance.
  - record the purpose for which the check was written.
33. If you make an error when writing a check, you should
- attempt to write through the error with the correct information.
  - destroy the check and write another.
  - leave the error as is since the payee can change it to the correct information.
  - mark the check and the transaction in your register "VOID" in ink and write another.

D. Matching: Column 1 (items 34-38) lists five steps in the checking account reconciliation process. Match the step number in which the process is accomplished from column 2 with the step number in column 1. For each item, select ONE letter (a, b, c, d, or e) indicating your choice. Blacken the appropriate box after the corresponding number on the answer sheet.

Value: 1 point each

Column 1	Column 2
<u>Step</u>	<u>Step Number</u>
34. List and total all checks you have written which were not included with the statement.	a. Step 1.
35. Arrange the cancelled checks received with your statement into numeric order.	b. Step 2.
36. Go through your check register and make a mark next to the record of each check which was received with the statement.	c. Step 3.
37. Deduct the total amount of your outstanding checks to obtain the figure which should agree with the balance in your check register.	d. Step 4.
38. Enter the ending balance on your bank statement, add any deposits made not shown on the statement, and total the two figures.	e. Step 5.

**E. Multiple Choice:** Select the ONE answer that BEST completes the statement or answers the question. Blacken the appropriate box after the corresponding number on the answer sheet.

39. A credit union is a type of financial organization which
- is primarily located in the Eastern United States.
  - limits its membership to members of a common bond; i.e., occupation, association, etc.
  - is required by law to carry Federal Deposit Insurance.
  - only offers savings accounts and loans.
40. After reconciling your checking account, you should keep your bank statements and deposit slips for a period of time. Also, you should retain your cancelled checks for income tax purposes for a period of
- 2 years.
  - 7 years.
  - at least 1 year.
  - at least 3 years.
41. Assume that you have deposited \$1,000 in a specified term savings account of 1 year, but needed to withdraw the deposit 1 month later. In this instance, you would receive
- no interest at all on the deposit.
  - 1 month's interest at the rate paid on the 1-year account.
  - 1 month's interest at a rate lower than the rate paid on the 1-year account.
  - 1 month's interest at the rate paid on the 1-year account, less a penalty.
42. Probably the best way to maintain a successful savings plan is to
- deposit money into your savings account on payday instead of later in the week.
  - have savings automatically withheld from your paycheck by means of an "S" allotment or by purchase of U.S. Savings Bonds with a "B" allotment.
  - always deposit the same amount in your savings account each payday.
  - only deposit money to your account once a month or every other payday.
43. Direct Deposit is only available to Marines
- stationed in the United States.
  - during a permanent change of station move.
  - after they have reached their first permanent duty station.
  - who complete SF 1199A: Direct Deposit Sign-Up Form.
44. A type of financial organization which may offer a higher rate of interest on deposited funds but does not guarantee payment of a dividend is a
- mutual savings bank.
  - savings and loan association.
  - commercial bank.
  - credit union.
45. A financial organization that does not carry insurance often pays a higher interest rate on savings accounts. However, if the financial organization should default, the saver may lose
- only the interest which would have been paid on the savings.
  - only those dividends not guaranteed in writing.
  - all or part of the savings in the account.
  - only the dividends not yet paid during the month the organization defaulted.
46. The feature of the Direct Deposit program that is most important to Marines is that
- there is no waiting for mail delivery to get their paychecks.
  - there is no standing in line to cash or deposit their paychecks.
  - they are assured of safe deposit of their pay; there is no chance of their checks being lost or stolen.
  - their pay will be deposited on payday even if they are away on temporary duty or on leave.

47. Under the Direct Deposit program, you will know when your first deposit goes to your financial organization for the payday of the 15th because
- an advice-of-deposit notification will be sent to you.
  - the information will be shown on your LES.
  - you will be notified by your disbursing officer.
  - your bank will notify you when the deposit is received.
48. Under Direct Deposit, an advice-of-deposit notification will be mailed to you if
- your first payday is for the 15th of the month.
  - your first payday is for the 30th of the month.
  - you transfer from one command to the other.
  - you choose to disenroll from the program.
49. The most important guideline concerning the use of credit is
- the expected life of the product you are purchasing on credit.
  - the amount or rate of interest you must pay for its use.
  - whether or not you will be able to pay in excess of your minimum monthly payments.
  - if you have enough money saved to make a large down payment.
50. Based on annual interest charges of 22 percent, the approximate monthly interest rate is
- 1 1/2 percent.
  - 1 4/5 percent.
  - 1 1/3 percent.
  - 1 3/4 percent.
51. Use of a credit card or time-payment plan which charges 1 1/2 percent monthly interest will result in an annual interest charge of
- 12 percent.
  - 15 percent.
  - 18 percent.
  - 22 percent.
52. Borrowing money for the purpose of paying off bills (consolidation loan) is
- the best way to resolve financial problems.
  - the only alternative, except for declaring bankruptcy.
  - not allowed under the Consumer Protection Act.
  - considered to be disadvantageous.
53. If your financial situation reaches a crucial stage, you should
- get a part-time job.
  - see your legal assistance officer.
  - obtain a consolidation loan.
  - advise all of your creditors.
54. Under the Consumer Protection Act, you are entitled to
- free legal counsel in bankruptcy proceedings.
  - extend the period of time you make payments to your creditors.
  - a lower rate of interest when repaying a loan.
  - full disclosure of all facts concerning a loan you are getting.
55. Two of the three major guidelines to be followed when obtaining a loan are to choose the right financial organization and to know all of the facts about the loan. The third major guideline is to
- ensure that a prepayment penalty clause does not exist.
  - consider a consolidation loan.
  - make as large a down payment as possible.
  - borrow a little more than you actually need, just in case of emergencies.

56. In addition to insurance premiums, the down payment, utility deposits, and the cost of assessments and taxes, what other major consideration must be given prior to purchasing a home?
- The location of the property
  - The condition of the property
  - The closing costs
  - Whether or not the loan company provides an escrow account service
57. An escrow account is a service provided by a mortgage company for payment of
- closing costs.
  - the down payment.
  - realty and finder's fees.
  - taxes, insurance premiums, assessments, etc.
58. In addition to expenses for state taxes, personal property taxes, and insurance, two other expense items which must be considered prior to purchasing a motor vehicle are the cost of
- title transfer fees and notary public fees.
  - annual inspection fees and license fees.
  - repairs and operation and maintenance.
59. Where charged, sales tax and personal property tax on the purchase of an automobile must be paid
- by the company or individual selling the automobile.
  - by the buyer when title registration is applied for and license plates are obtained.
  - by financing these taxes along with the cost of the automobile.
  - prior to the end of the year in which the auto was purchased.
60. Automobile insurance rates are usually higher for males under the age of
- |        |        |
|--------|--------|
| a. 35. | c. 25. |
| b. 30. | d. 21. |
61. Comprehensive auto insurance covers the cost of
- collisions with a driver who has no insurance.
  - collisions where the other driver is at fault.
  - repairs for damage caused by weather, theft, or vandalism.
  - damages resulting from accidents where neither driver is at fault.
62. An LES received on approximately the 10th of June would forecast amounts due for the current month and cover your pay account for the
- |                   |                                       |
|-------------------|---------------------------------------|
| a. month of June. | c. pay period from 16 through 31 May. |
| b. month of May.  | d. pay period from 1 through 15 June. |
63. Blocks 29 and 30 of the LES reveal
- your rank and years of service.
  - forecast amounts due.
  - your marital status and number of dependents.
  - the amount of state and federal tax withheld.
64. Information concerning a Marine's leave account is located in Section D of the LES. Which section contains information about a Marine's entitlements, deductions, and payments?
- |              |              |
|--------------|--------------|
| a. Section B | c. Section E |
| b. Section C | d. Section F |

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65. It is primarily the responsibility of each Marine to
- conduct the annual audit of the LES.
  - seek assistance from the disbursing officer when an LES is incorrect.
  - ensure that data contained on the LES is correct.
  - contact the battalion first sergeant if an LES is incorrect.
66. If you have questions or discover errors on your LES, you should seek assistance from/at your
- battalion first sergeant.
  - disbursing officer.
  - administrative office.
  - disbursing clerk.
67. One purpose for utilizing blocks 29 and 30 on your LES is to determine the amount you are scheduled to be paid during the current month. The other is to
- know what amount of income to place in your budget.
  - ensure that you are scheduled to be on the payroll during the current month.
  - verify in advance of your next payday whether events which affect your pay account have been properly accepted by the computer.
  - compare the amounts forecast for the current month with what you were paid last month.
68. In block 27 of a current LES, the area entitled LV BF will reflect the number of days leave
- which can be earned through your ECC.
  - due or advance of the end of the preceding period (previous LES).
  - taken in excess of that which can be earned through your ECC.
  - earned during the month covered by the LES.

F. Matching: Column 1 (items 69-72) lists four items from block 27 of the LES. Match the definition provided in Column 2 with the correct item listed in Column 1. For each item, select ONE letter (a, b, c, or d) indicating your choice. Blacken the appropriate box after the corresponding number on the answer sheet.

Value: 1 point each

Column 1	Column 2
<u>Item</u>	<u>Definition</u>
69. MAX LV ACCRUAL	a. The number of days leave due at the end of the period covered.
70. EXCESS	b. The number of days accrued leave in excess of 60 days dropped due to the change in fiscal year.
71. LOST	c. The number of days leave which can be earned through the current ECC date.
72. BALANCE	d. The number of days leave taken in advance of that which can be earned through the current ECC date.



80. Pay computation which involves continuing entitlements and continuing deductions results in
- norm amounts of pay due.
  - a change to forecast amounts due in block 29 of the LES.
  - a change to forecast amounts due in block 30 of the LES.
  - variable amounts of pay due.
81. Delays may occur from the effective date of a pay transaction and the date your pay actually changes because transactions are
- seldom reported on a timely basis.
  - only processed twice a month.
  - only processed once a month.
  - only reported twice a month.
82. A pay element which can affect norm pay computation for more than one payday results from a
- one-time deduction.
  - one-time entitlement.
  - midmonth variable.
  - end-of-month variable.
83. For pay computation purposes, assume that your norm pay is \$300 per payday and that you started a \$150 savings allotment effective next month. What should you expect to receive as your norm payment from now on?
- \$225
  - \$250
  - \$295
  - \$200
84. Assuming that you have been receiving a norm payment of \$275 per payday and that you request an advance pay of \$600 to be repaid in six monthly installments, what would your norm pay be for the 6-month repayment period?
- \$225
  - \$175
  - \$200
  - \$250
85. Assume that your current norm pay is \$225 per payday and that you receive your norm pay on the midmonth payday. On the 16th of the month, your disbursing officer processes a transaction charging your account \$175 for transportation charges incurred while on emergency leave. What payments should you expect to receive for the next two paydays?
- \$137 and \$138
  - \$162 and \$163
  - \$50 and \$225
  - \$225 and \$50

Total Points: 85

• • •





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---------------	--------------

COMPLETE ALL PORTIONS OF SECTION 1

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Rank	Initials	Last Name	MOS
SSN	REPORTING UNIT CODE (RUC)		
MILITARY ADDRESS		INSTRUCTIONS: Print or type name, rank, and address clearly. Include ZIP CODE. Only Class III Reservists may use civilian address.	
ZIP CODE			

Section 2. CHECK THE APPROPRIATE BOX AND FILL IN THE APPROPRIATE SPACES.

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1.  EXTENSION - Please grant an extension. (Will not be granted if already on extension.)
2.  NOTICE OF COURSE COMPLETION - Final Exam Sent On \_\_\_\_\_ (New exam will be sent if exam not received at MCI.)
3.  REENROLLMENT - Student has course materials (See para. 4003 of Vol. I of M.I. Catalog for information on reenrollment.)
4.  OVERDUE FINAL EXAM - Last (Review) lesson sent on \_\_\_\_\_. Please send exam.
5.  Please send new ANSWER SHEETS.
6.  Please send missing course materials (Not included in course package.)  
Lessons \_\_\_\_\_ Manual \_\_\_\_\_ Other \_\_\_\_\_
7.  CHANGE - Rank \_\_\_\_\_ Name \_\_\_\_\_  
Social Security Number --  
RUC \_\_\_\_\_
8.  OTHER (explain) \_\_\_\_\_

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8.	_____
DATE COMPLETED _____	
ORIGINATOR CODE _____	

**Note:** This form will not be returned by MCI. If request is valid, transaction will show on next UAR or on MCI-RI form. SIGNATURE-TITLE OR RANK (MUST BE CO OR REPRESENTATIVE)

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(5 U.S.C. 522A)

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2. **PRINCIPAL PURPOSE:** The Student Course Content Assistance Request is used to transmit information concerning student participation in MCI courses.
3. **ROUTINE USE:** This information is used by MCI personnel to research student inquiries. In some cases information contained therein is used to update correspondence courses and individual student records maintained by the Marine Corps Institute.
4. **MANDATORY OR VOLUNTARY DISCLOSURE AND EFFECT ON INDIVIDUAL NOT PROVIDING INFORMATION:** Disclosure is voluntary. Failure to provide information may result in the provision of incomplete service to your inquiry. Failure to provide your Social Security Number will delay the processing of your assistance request.



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