

Question 1

1. A progressive tax system is one in which people with higher income receive higher tax rates. This system is what they call a fair system because the amount of tax is dependent upon the income of the individual. Some also call this system the graduated tax system because the government implements the tax in the form of a tax table. This table is structured in a way that there are ranges of income (or brackets) with a corresponding tax rate.
2. Using the Income Tax Calculator, we were able to obtain the net pay of Sarah and Mehmet:

Employee	Residence	Gross pay (£)	Pay after income tax and National Insurance (£)	Average income tax rate (%)
Sarah	Scotland	65,000	44,650.14	23.37
Mehmet	England	21,000	17,921.80	8.09

3. Based from the above table, we can conclude that Scotland has more progressive tax system. This is because even if Janet and Sarah have the same gross amount (65,000), Sarah paid a higher tax than Janet therefore resulting to lower net pay.
4. I think Avi will have a lower standard of living if she will accept the offer of the manager. If she retained with the current 36,000 gross pay and there is 3% inflation, this will become 39,338 after three years. Using the tax calculator, her net pay will be £30,391.76 per year. This is surely higher than the offer of her manager.

Question 2

1. To obtain the income of Michelle and Simon together, we divide the total household income (19750 + 11395.84 + 1820) by 1.11 = **29,698.95**
2. I think the standard of living is greater or higher before when they were living individually. If we combine their individual equivalized net income, we will obtain 32,217.77 (i.e., 19,750 + 13215.84 / 1.06). This simply accentuates the fact that a sole adult home will have a higher living standard as there are less members.
3. The monthly cash flow statement for the household is presented below:

Monthly Cash Flow	
Particulars	
Simon Cash Flow (monthly)	€ 1,645.83
Michelle Cash Flows (monthly)	€ 1,101.32
Cash Outflows:	
Rent	€ 950.00
Insurance	€ 29.50
Credit Card	€ 53.00
Council tax	€ 100.00
Food & household items	€ 540.00
Alcohol and leisure	€ 175.00
Water, gas & electricity	€ 117.00
Broadband	€ 124.00
Transportation	€ 350.00
Clothes & other spending	€ 320.00
Net Cash Flow	€ (11.35)

4. Currently, they have negative cash flow which means they're overspending. To save 2,000, they can give up their monthly alcohol expenditures (175) which will save them around 2,100 in cash.

Question 3

1. APR pertains to the rate of interest one pays annually to borrow money. One must be wise in selecting the lower APR when making purchasing decisions.
2. To complete the table, we utilized an APR calculator. We have the following results:

APR Calculation			
	Monthly Payment	Repayment Period	Total Interest
Option A	75 per month	89 months	3,807.73
● Option B	111.11 per month	50 months	1,457.27

3. One advantage of Option A is that the monthly payment will be lower compared to Option B. Meanwhile, it has its disadvantages. First, Toby will pay for a longer period. Second, the interest cost will be higher in total.

Part B - Discussion regarding Consumer Debt

Debt is a double-edged sword; one can either use it to his advantage or be consumed by its deceitful power. We witnessed this phenomenon by analyzing the significant findings of various reports. Since households do not always have the necessary cash flow to finance their personal and business requirements, debt can be a good option to fill this gap. This become the practice and the norm since 2006 where there is a surge in consumer debt. Despite this bandwagon, one must still be cautious in ascertaining the risks of debt financing.

Debt can be deadly. This is especially true if people rely on debt to meet their basic needs such as food and shelter. In fact, debt became the perfect disaster recipe back then for households renting their homes (ONS, 2019). Because shelter remains one of the priority expenses of almost every household, they will not be able to defer the settlement of these obligations. Therefore, a chunk of debt will automatically be allocated to paying rent. This leaves us with small money to pay for other living expenses such as food and clothing.

This problematic debt scenario was worsened by another major factor - impulsive purchasing. As humans, we can be easily lost in our emotions and simply let go of our plans in exchange for instant gratification. This is evidenced by a 2020 report from the Resolution Foundation which revealed that low-income households increase credit card use from 2016 to 2019. This the danger of using credit cards; when people know that they can get their favorite shoes, clothes or bags online by simply charging it to their credit cards, they place themselves in a tight situation where wants prevail over needs. Worse, some even go beyond their spending limits and incur overdrafts which can lead to bank penalties.

When debt is incurred, there is an obligation to repay it. This will not be easy if the head of the family is not employed. Where will he or she get money to pay the debt? This makes me wonder if people really do have a solid long-term plan when applying for loan. It is our position

that households must not only locate where the fund is, they must also have a strategy to get out of this debt trap. Otherwise, the vicious debt cycle will not stop.

Part C - Team Work

Team work promotes brainstorming; by working as a group, we are able to exchange ideas regarding the subject matter. This opens up various perspective and ways of solving the main problem. Moreover, we can efficiently strategize by partitioning the workload among us. This helped us craft our answers within the deadline. Moreover, we provided feedback to each other's responses resulting to a sound, logical answer to the given questions. On the other hand, working in a team also imposed a challenge. Since we have so many ideas, it was hard at first to track the specific solutions to the questions; at the end of the day, we were able to agree on the main idea and work together to deliver a compelling answer.