

Well here is what I consider "everything"

2 Microphones (one vocal mic, one instrument mic)  
a low wattage amp.  
Sony MDR-7506 reference headphones  
a guitar  
a set of speakers, reference if at all possible  
a PA mixer  
a cheap a/b amplifier/stereo receiver  
cables, blah blah blah

This is what I have and what I paid for it, or what I would suggest:

Microphones: I have two first act mics, they are about 20-30 bucks each list price, one instrument, one vocal (\$50) you could likely buy a pair of high quality shure mics on craigslist for that money too, so look around. Both mics should be unidirectional cardoid.

Amp: I use a 4 watt amp from first act, \$30. The wattage is super important. I really recommend this amp over anything else for what I am describing.

Guitar: again, first act puts out some decent stuff. Just as playable as my old 400 dollar Ibanez. These guitars are about 100 bucks.

Speakers: assuming you don't have any, buy them off craigslist. a hundred bucks buys a lot of speaker.

Mixer: This is trickier and possibly completely unnecessary depending on how good he is with a computer. A 4 track mixer is ideal and should cost about another hundred used, but they are not all over the place like everything else. You do not need an "active" mixer in this setup at all, the stereo amp will bring the power.

Cheap reciever: 50 bucks at any pawn shop, cash convertors, craigslist or whatever buys a dual stereo 100 watts per channel amplifier.

Headphones: Sony MDR-7506, about 100 bucks from almost anywhere. Buy them new.

Here is how to set all this stuff up:

1. plug the guitar into the amplifier
2. plug the vocal microphone into the mixer
3. plug the instrument mic into the mixer and put the mic about two inches away from the amp (or until the hum and buzz is at a tolerable level. The closer you put the mic to the center of the speaker, the brighter the tone. Mic it at an angle so the transducer picks up a lot of different kinds of sound waves.

4. Plug whatever the source of the music is into the mixer.
5. send the stereo output mix from the mixer to the stereo amplifier
5. Use either the speakers or the headphones from the stereo amp to hear everything

Total budget: \$530, throw in a mic stand for another 20-50 bucks and a bunch of adapters and other assorted crap from radio shack and that should bring you to around 600 bucks, for everything. If he never plans on using the headphones for practice (which will be needed for recording and mixing at some point) and has a stereo already, that knocks the price down to about 300 bucks.

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