Financial literacy – Personal budgeting

Levels 9 and 10,   
Economics and Business,   
sample activities

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**Note:** Please see the accompanying Personal budgeting resources document for supporting resources that can be distributed to students.

Introduction

These sample activities address the Economics and Business curriculum area of the Victorian Curriculum F–‍10 at Levels 9 and 10.

The development of the financial literacy skills associated with development and maintenance of a personal budget are important first steps to financial independence. An important financial literacy life skill is to develop and maintain a personal budget. This set of activities introduces students to the concept of budgeting and highlights the importance of learning personal budgeting skills for all. Students are also introduced to using an online budgeting tool as a means of keeping track of personal finances and minimising debt.

This series of activities is designed to be completed in a sequence of lessons.

Overview of the activities

Timing

Approx. 300 minutes total

Links to the Victorian Curriculum F–10

Relevant Economics and Business Levels 9 and 10 achievement standard extract

Students explain the importance of managing consumer and business financial risks and rewards and analyse the different strategies that may be used when making decisions. … They generate alternative responses to familiar, unfamiliar and complex problems taking into account multiple perspectives, and using cost–benefit analysis and appropriate criteria to propose and justify a course of action.

Relevant Economics and Business Levels 9 and 10 content description

* Explain why and describe how people manage financial risks and rewards in the current Australian and global financial landscape. [(VCEBC023)](https://victoriancurriculum.vcaa.vic.edu.au/Curriculum/ContentDescription/VCEBC023)
* Generate a range of viable options, taking into account multiple perspectives, using simple cost–benefit analysis to recommend and justify a course of action, and predict the intended and unintended consequences of economic and business decisions. [(VCEBE028)](https://victoriancurriculum.vcaa.vic.edu.au/Curriculum/ContentDescription/VCEBE028)

Learning intentions

Students will be able to:

* determine their income and expenses
* develop a personal budget.

Teacher resources and preparation

* The following student worksheets have been provided in the accompanying Financial literacy – Personal budgeting resources document.
* Worksheet A: Introduction to personal budgeting
* Worksheet B: Personal budgeting examples
* Worksheet C: Electronic personal budgeting
* Worksheet D: Developing your own budget
* Worksheet E: Using an online budgeting tool
* Teachers should provide students with either hardcopy worksheets or access to worksheets online.
* Students will require internet access to complete the worksheets.
* Some of the activities include a ‘Key points to be conveyed to students’ section. Teachers can decide how they want to impart this information to students – for example, they may present some of the information as a display, provide handouts to students, look at websites or watch some of the online resources together as a class. These key points should be reinforced via class discussion before students are instructed to work on worksheets.

Student prior knowledge and skills required

* Independently use and access technology
* Distinguish between economic needs and wants
* Basic understanding of the notion of economic scarcity

Key terms

* **Account balance**: The amount of money held in a bank account.
* **Budget**:An estimate of income and expenditure for a set period of time.
* **Cash receipt**: a printed statement of the amount of **cash** received in a **cash** sale transaction. One copy is given to a customer, and another retained for **accounting** purposes.
* **Disposable income**: The total amount of money a person has available to spend after taxes have been paid on gross income.
* **Expense**: The cost incurred in or required for something; the money that something costs you or that you need to spend in order to do something.
* **Fixed expenses**: Expenses that remain unchanged from month to month (for example, rent or repayments).
* **Income**: Money received, usually as payment for working or through ownership of capital.
* **Interest**: Money paid regularly at a particular rate for the use of money lent, or for delaying the repayment of a debt.
* **Taxes**: Compulsory charges made by government on an individual’s income, or profit made by a business. Taxes are levied in almost every country of the world to raise revenue for government expenditure.
* **Total expenses**: Fixed plus variable expenses.
* **Total monthly income**: The total amount of money earned from all sources in a month.
* **Variable** **expenses**: Expenses that change from month to month (for example, spending on entertainment and food).

Activities

Activity 1: Class discussion

1. Explain to students that this series of activities is designed to introduce them to personal budgeting. Upon completion of the activities, they will have a better understanding of what a budget is, how to budget, and why it is important to their future financial security to understand how to create and follow a personal budget.

2. Ask students what they understand by the word ‘budget’. Ask students to consider and discuss the following:

* What does this term mean to them?
* What does it mean to budget?
* What is involved in preparing a budget?
* Who budgets and when, for what purpose?
* When have they heard the word? In what context?

**Variation:** This activity could be done as a Think–Pair–Share activity, with each small group reporting back to the wider group.

3. Summarise findings and key points from the discussion and display these in the classroom.

4. Develop a class definition of a ‘budget’ (example below).

*A budget is a spending plan detailing how much money will be earned or gained in a period of time, (income), an estimate of how much money will be spent, and in what ways this income will be spent (expenditure).*

5. Develop a class definition of a ‘personal budget’ (example below).

*A personal budget is a personal financial plan that takes your personal income and expenses into account to provide estimates of how much you are likely to will earn and spend over a period of time, such as a month or year.*

Key points to be conveyed to students

The following point should be conveyed to students either during or after the class discussion.

* A budget is an important tool that helps a person keep their personal finances on track. A person who maintains a personal budget is less likely to waste money on impulse purchases and is more likely to achieve their personal financial goals through maintaining control of their spending and saving.

Activity 2: Why do we need to budget?

* Students complete **Worksheet A: Introduction to personal budgeting** to learn more about budgeting, including strategies and programs they can use when creating and following a personal budget.
* Then, students complete **Worksheet B: Personal budgeting examples** to apply their learning.

Key points to be conveyed to students

The following points should be conveyed to students either during or after the class discussion. Teachers may want to use the resources listed to help convey the information.

* A budget is a powerful financial tool that helps you live within your means and maintain control of your finances.
* Creating a personal budget is a basic principle of personal finance that allows you to:
* calculate how much money you can expect to earn and then compare this to your expenses
* determine, ahead of time, whether you will have enough money to do all the things you need to do with the amount of money you will have available to spend
* keep yourself out of debt or work to get out of debt
* forecast the highs and lows of your finances to avoid debt and cover costs when you have a lower income
* plan for and make savings to buy big items in the future
* set and achieve long-term financial goals.
* A budget tells you what you earn ($) minus what you spend ($):

**(Income − Expenses)**

* If a person spends more than they earn, they will need to borrow money to make up the difference.
* If you borrow money, or take out credit, you will need to pay back the original amount borrowed plus extra (interest).
* Interest is like rent paid when you borrow someone else’s money to use. While you have someone else’s money or property for your own use, you pay rent for it.
* A personal budget allows you to minimise the need to borrow money and therefore minimise the amount of interest you pay.

Answers to Worksheet B: Personal budgeting examples

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| **Scenario 1**  1. Cash budgets for the week.   |  |  | | --- | --- | | **Income** | **$** | | Wages | **545** | | **Total income** | **$545** |  |  |  | | --- | --- | | Expenses | $ | | Books and entertainment | **225** | | Clothing | **85** | | Mobile phone expenses | **150** | | Loan repayment | **$100** | | **Total expenses** | **$560** |   2. Excess of receipts over payments −$15  3. Bank balance at the beginning of the week $420  4. Bank balance at the end of the week $405 |

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| **Scenario 2**  1. Cash budgets for the week   |  |  | | --- | --- | | **Income** | **$** | | Wages | **120** | | Allowance | **50** | | **Total income** | **$170** |   **Less expected expenses**   |  |  | | --- | --- | | **Expenses** | **$** | | Food and entertainment | **145** | | Mobile phone expenses | **60** | | **Total expenses** | **$205** |   a. Excess of receipts over payments −$35  b. Bank balance at the beginning of the week $825  c. Bank balance at the end of the week $790  2. Based on his bank balance at the end of the week, Xavier will be able to buy five Taylor Swift tickets. |

Online resources

* [‘Apps to help save and manage money’ video (Today Show Australia, YouTube)](https://www.youtube.com/watch?v=0WnD5U-Try0) (Worksheet A)
* [‘Simple ways to budget and save money’ video (ABC News, YouTube)](https://www.youtube.com/watch?v=2jUZF0gRjJk) (Worksheet A)

Activity 3: Reducing expenditure

* Students watch the following videos and make a list of advice regarding saving and budgeting provided in dot points:
* ‘[How to make a budget and save money](https://www.youtube.com/watch?v=iS3fdXf4keA)’ video (YouTube)
* ‘[How to save money as a teen](https://www.youtube.com/watch?v=xfmnr5kzOdQ)’ video (YouTube)
* Working in groups of three, students research methods to reduce expenditure.
* Each group writes a list of 20 possible ways a teenager could reduce their daily/weekly/monthly expenditure.
* Each group then designs and produces a poster depicting up to four of these ideas. Posters could be displayed in the classroom.

Online resources

* ‘[How to make a budget and save money](https://www.youtube.com/watch?v=iS3fdXf4keA)’ video (YouTube)
* ‘[How to save money as a teen](https://www.youtube.com/watch?v=xfmnr5kzOdQ)’ video (YouTube)

Activity 4: Using an online budgeting tool

* Students read and complete **Worksheet C: Electronic personal budgeting** using the [ASIC Moneysmart Budget](https://moneysmart.gov.au/budgeting/budget-planner) planner. This activity is designed as an introduction to what is involved in preparing and working with a personal household budget, using electronic personal budgeting.

Online resource

* [Budget planner (ASIC Moneysmart)](https://moneysmart.gov.au/budgeting/budget-planner)

Activity 5: Constructing a personal budget

* Using **Worksheet D: Developing your own budget**, students construct a personal budget and calculate how long it will take them to buy a car for $5000, as well as manage running costs of $1000.
* Students will need to research expenses related to car ownership and maintenance, such as registration, insurance, fuel and services. They may need scaffolding during the research phase.

Online resource

* [Budget planner (ASIC Moneysmart)](https://moneysmart.gov.au/budgeting/budget-planner)

Activity 6: Why borrowing money will usually cost more

Students complete the ASIC Moneysmart activity, ‘[Why borrowing can cost you more](https://static.moneysmart.gov.au/teaching/bite-size/Bite-size-Yr7-10_Why-borrowing-can-cost-you-more.pdf)’, including watching a short video, ‘[Why borrowing money can cost you more](https://youtu.be/1s2GfYE458s)’ (ABC Everyday, YouTube). This activity is a useful introduction to the concept of interest and how use of credit will cost more in the long-term.

Online resources

* [Budget planner (ASIC Moneysmart)](https://moneysmart.gov.au/budgeting/budget-planner)
* ‘[Why borrowing money can cost you more’ video (ABC Everyday, YouTube)](https://youtu.be/1s2GfYE458s)

Activity 7: Sustainable spending (optional activity)

This activity integrates the curriculum area of Ethical Capability into the students’ consideration of personal budgeting through the framework of sustainable spending.

* Students consider and discuss the following questions in small groups:
* What are the main places you shop and why?
* Does it matter where we buy our clothes from?
* What are the reasons for buying clothes from particular brands or stores (for example, trends, quality, sustainability)?
* Do you know where the clothes you wear are made?
* Do you know how your clothes are made?
* Students then share each of the answers with the whole class.
* Students may watch the documentary [RiverBlue](http://riverbluethemovie.eco/) (Vimeo on Demand) and reconsider the questions above within class discussion in light of this. Other shorter videos looking at fast fashion can be found by searching ‘fast fashion video YouTube’ online.
* Working in small groups, students research the human (and animal) impacts of fast fashion, for example, child labour, low wages, health and safety risks to workers, animal cruelty.
* Each group then completes a poster to be displayed in the classroom/school about the impacts of fast fashion on environment and people.
* **Extension activity:** Students write a letter to the school principal requesting that the school hold a slow fashion day where all students come in second-hand or borrowed clothing. The letter would need to detail why this is an important issue and include facts and statistics about the impact of fast fashion.

Online resource

* [RiverBlue](http://riverbluethemovie.eco/) (Vimeo on Demand)

Review and reflect and assessment

Students complete the case study in **Worksheet E: Using an online budgeting tool** and reflect on the different options that may be taken when budgets need to be adjusted because of new priorities or circumstances. Students consider and discuss how different people have different priorities to take into account when constructing a budget.

This may be used as a summative assessment for the following aspect of the achievement standard: ‘Students explain the importance of managing consumer and business financial risks and rewards and analyse the different strategies that may be used when making decisions. … They generate alternative responses to familiar, unfamiliar and complex problems taking into account multiple perspectives, and using cost–benefit analysis and appropriate criteria to propose and justify a course of action.’

Online resource

* [Budget planner (ASIC Moneysmart)](https://moneysmart.gov.au/budgeting/budget-planner)