



# TeeJay Publishers

## Financial Maths - Life Skills

# Budgeting UNIT

MNU 2.09b

## CfE Level 2 - Lesson Plan

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# Guidance Notes for Teachers

## Managing a Budget Lesson

**Lesson Objective:** By the end of the lesson, pupils will be expected to understand the purpose of a budget and the impact changes to income and expenditure will have to the overall budget.

**Curriculum for Excellence Money Outcomes:** MNU 2.09b - I can understand and realise that budgeting is important.

### Lesson Introduction

A budget is a way of finding out how much money we have to spend on something. To do this, we need to have an income (money coming in) each week/month or year and from this we take away all our expenditure (things that we spend money on). A budget lets us know how and where we spend our money (our spending patterns). A budget can also show us where we can reduce our spending and save money if something happens suddenly which affects the money that we have coming in.

The most important part of setting a budget is to stick to it! By not sticking to it we would be overspending - spending money that we do not have available. Overspending can lead to debt and borrowing, which for some people can mean that they get into financial difficulties with not enough money to live on.

Sometimes sticking to our budget can be difficult, especially when we have to make choices about the things that we spend our money on (our expenditure). In those situations we have to decide whether the item is something that we really **NEED** or is just something that we **WANT**. Budgets are made by everyone from governments, schools, families and all of you - even though you might not realise it!

We are going to look at planning a budget today and think about the things that might affect our budgets and the changes we have to make as we go along to make sure that we stick to it!

### Discussion

Once the introduction has been completed with the class, the attached discussion notes sheet will assist you in prompting more discussion between the pupils on the subject of budgeting. The list provided is not exhaustive and can be supplemented with your own questions.

### Worksheet - Pupil Activity

Through discussion, it should be ascertained that the pupils understand the purpose of a budget and how it is calculated, then the pupils can progress to the worked example. There are 2 worksheets attached for each pupil. The first contains the questions to be answered by the pupils and the second sheet has a blank budget planner which the pupils will complete as part of the exercise. The questions are set around a scenario using real life monetary figures.

### Plenary

This sheet summarises the learning and highlights the key points of the budgeting lesson.

*Pamela Fraser*

# Discussion Notes

## Managing a Budget

**Q1: What is a budget ?**

**A:** A budget is a future plan for your spending. It involves taking all your income and deducting all your expenditure from that figure to see how much you have left for a particular reason.

**Q2: Give 3 or more examples of income (money you could receive).**

**A:** Answers will vary, but any of the following would be accepted. (*However list is not comprehensive*) - wages, pension, benefits including tax credits, child benefit, pocket money, allowances, money for doing chores, birthday money, Christmas gift money, money from selling something and winnings.

**Q3: Give 5 or more examples of expenditure.**

**A:** Answers will differ again, but you should look for a variety of expenses. Possible answers include - rent or mortgage payments, loan repayments, electricity bills, clothes, food, holidays, TV, toys and pets.

**Q4: How can we increase the money left if we need it for some other reason ?**

**A:** There are 2 ways to do this. The first would be to increase the amount of income that you have, for example by working more hours, taking a part time job, selling something. The other way would be to cut back on your spending, such as stop eating out, walk rather than take the car or reduce the amount you spend on clothes.

**Q5: Why do we need a budget ?**

**A:** A budget shows us how much money we have to spend on a certain item or items. It helps us to make sure that we do not get into difficulties from overspending. It may also show us that we cannot afford to do something at all.

### Supplementary Questions

**Q6: What kind of things might happen within a family that would mean that they might have to change their budget ?**

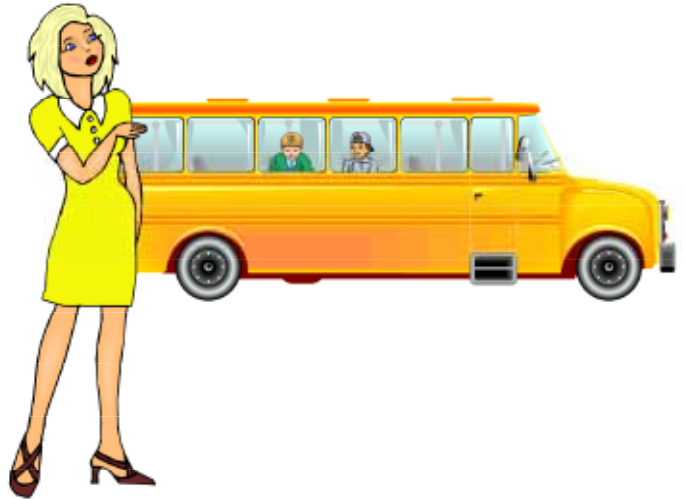
Income - Losing job, reduction in hours worked, having a baby, overtime, new part time job, increase/decrease in tax paid, change of job, ill health etc. Expenditure - increase in rent payments, car breaks down, new baby, fuel price increases, etc

**Q7: Think of an example of when you might have made a budget (*perhaps without realising it*).**

Answers may include, buying a birthday present for a friend, working with holiday spending money or saving up to buy something special.

# Managing a Budget Worksheet

Eve is a single mother with two sons Alfie & Finn. Both boys want to go on a weekend school trip to York but the trip will cost £200 per pupil. Eve explains to her sons that the only way they can go is if they pay half of the cost themselves.



1. The boys each receive pocket money of £5 per week, but they also like to spend their pocket money every week.

Below are pages from their notebooks showing how they spent their money last week ?

Alfie	
Sweets	£1.00
Swimming	£1.35
Stickers	£0.45
Mum's Birthday Card	£1.95
New Pencil	£0.15

Finn	
Sweets	£0.65
Football Club	£1.10
Felt Tip Pens	£0.99
Chocolates for Mum	£2.00
Crisps	£0.20

- a How much did Alfie spend last week ?
  - b How much did Finn spend last week ?
2. The boys decide that they will have to do something to make sure that they have more money to save for their trip.  
What are the 2 different ways that they can do this ?
  3. The trip is 30 weeks away, so how much will each boy have to save **each week** to achieve the £100 ?
  4. Alfie plans to wash some cars. He borrows the equipment for washing the cars from his mum then he charges £1.50 for a wash and £3.00 for a wash & polish. Alfie manages to wash 12 cars - 4 cars wanted a wash only and 8 cars had a wash & polish.
    - a How much money did Alfie make from the car washing ?
    - b How much money does he still have to find to make the total of £100 ?

5. Alfie had forgotten that he hadn't bought a birthday present for his mum. He needs to get her something.

What could Alfie do for his mum's birthday gift which wouldn't cost him any money ?

6. With 20 weeks left to go before the school trip, Alfie gets a job as a paperboy delivering the local paper every Friday after school. The newsagent pays him a wage of £2.50 per week.

- a How much money will he make from the new job before his trip ?  
b Alfie is offered £25 by the newsagent for helping him count stock one Sunday, but Alfie is taking part in a football match on that day. What should he do ?



7. Alfie helps the newsagent with the stock count. So how much does he have in total for the cost of the school trip ?

8. Finn has decided to review his spending to see if there are any items that he can cut back on. Shown is a list of the items which he buys most often. Which of these things should he spend less money on ?

Finn	
Crisps	£0.25
Chocolate	£0.75
Comics	£0.99
Football Club	£1.10
Cinema	£2.25

9. Finn goes to Football every week and to the cinema every second week.
- a How much would Finn save, over the 30 week period, if he only went to Football every 2 weeks instead of every week ?  
b Which item should Finn stop paying for to save the most money and how much money would he save over the 30 weeks ?  
c How much money would Finn save after 30 weeks if he stopped all of the items on his list ?

10. Finn only decides to stop going to the cinema and buying comics until his trip. He also gets £40 for his birthday but spent it all on a new pair of trainers with his birthday money. What was the consequence of doing this ?



11. At the end of the 30 weeks, Eve reviews the boys' budget to check how much they have managed to save. Who gets to go on the trip ?

# Managing a Budget Worksheet - Answers

1.
  - a Alfie spent £4.90.
  - b Finn spent £4.94.
2. The two ways that they can make more money is by reducing their spending or by increasing their income.
3. They have to save a minimum of £3.34 per week.
4.
  - a Alfie made £30 from car washing.
  - b He still needs to save another £70.
5. Alfie could make his mum a gift.  
He could plan a walk with his mum.  
He could offer to do the housework for his mum while she puts her feet up -  
*Answers will be of pupils own thinking. The more creative the answer the better.*
6.
  - a Alfie will make £50 from his new job.
  - b Alfie should work on the Sunday because the money will help him meet his trip total.
7. Alfie makes £105 in total.
8. The answers may differ but you are looking for the items which will allow Finn to save the most money.
9.
  - a Finn would save £16.50 from reducing the football club to every 2 weeks.
  - b Finn should stop going to the cinema and he would then save £33.75.
  - c Finn would save £126.45 if he stopped all of the items on the list.
10. Finn needs the £40 to make his trip budget amount so if he buys the trainers he won't have enough money to go on the school trip.
11. Alfie gets to go on the trip.  
Finn has only managed to save £63.45.



# Summary/Plenary Sheet

The exercise teaches us how to manage a budget so that we that we can achieve a particular financial goal. Alfie & Finn both had to make choices which had an impact on their money and eventually on them being able to go on the trip. Budgeting is all about learning to make the right choices especially when they are difficult, so that we can look after our money properly and stick to our budget.

## Questions to assess student understanding

Why do you think Finn chose to buy the trainers rather than use the money for the trip ?

- *To be the same as or better than his friends.*
- *Spending his money was more important than saving it.*
- *He wanted to get something special with the money.*
- *He decided that the trainers were more important than the trip.*

What types of things might people budget for ?

- *Buying a new house, Wedding, A Holiday, Weekly food shop,*
- *To buy a car, Having a baby, etc.*

Do you think it is more difficult to increase your income (like Alfie) or to reduce the amount you spend (like Finn) ? Why ?

- *Reasons for increasing income should include :- Alfie had to look for a job. Alfie had to choose to give up playing in a football match so that he could work for more money. Alfie had to work hard washing all the cars. He might not have got any customers for his car washing etc ....*
- *Reasons for reducing spending should include :-*
  - *Finn had to stop things he liked doing.*
  - *Finn's pocket money was his main income which made for a tight budget.*
  - *Finn had less opportunity to achieve his goal, etc....*

## Recap on Key Learning Points

- A budget is a financial plan which projects income and expenditure to prove you are not overspending .
- A successful budget should show an under spend, or at worse, breaking even.
- You will have to make choices with expenditure - is it a **NEED** or a **WANT** ? Can I afford it ?
- Budgets adapt and modify to changes in circumstances.

## Extended Learning

For teachers wishing to further the lesson by issuing homework or extended learning opportunities to pupils, the following is suggested activities :-

- Working in pairs, set the pupils a budget for decorating a room. Give them internet access to a home store so that they can calculate their expenditure using real life costing.
- Explain to pupils how a class budget works and then ask them to list all the items that have to be bought from that budget.
- Linked to the above item ask the pupils to suggest ways that money could be saved within the class budget.