

Strand: **Personal Finance**

Preparing and evaluating a household budget

Learning outcomes in focus

Students should be able to:

Personal Finance 1.12 Prepare and analyze a budget, determine the financial position, recommend appropriate action and present the analysis in tabular and graphic formats.

Learning intentions*

We are learning to:

- To classify different types of income and expenditure
- To prepare a budget in an appropriate format
- To calculate figures accurately
- To recommend appropriate action based on an analysis of the financial position of the Murphy family
- Use ICT to present information effectively

Teaching and learning context

This task was given to first year students after approximately eight class periods on household budgeting. They understood different types of expenditure and income and they had experience of formatting and completing budgets. Students were given one week to complete the task. This included some class time to prepare for the task with most of the work being completed outside of class-time. The students had access to their own iPad during class. The activity here is a simulation but it models real life situations of the financial choices and decisions people must take in planning their finances based on their circumstances.

Task

The Murphy family have come to you looking for advice on preparing a budget for the first four months of 2016. You will need to display the information in an appropriate manner for the family and advise them on how to manage their finances going forward.

Success Criteria**

- SC1:** Explain different types of expenditure clearly
- SC2:** Prepare a balanced budget fully and accurately based on the information provided
- SC3:** Use appropriate formats to display and explain the data clearly for the Murphy family
- SC4:** Drawing on the prepared budget, provide an analysis of the financial position
- SC5:** Advise the Murphy family on their financial position by providing recommendations based on the budget prepared
- SC6:** Use ICT as a means of presenting your work

* What the student should know, understand and be able to do at the end of the lesson or series of lessons

** Summary of the key steps the student needs to fulfil in order to achieve in the task

Junior Cert Student Sample of Work

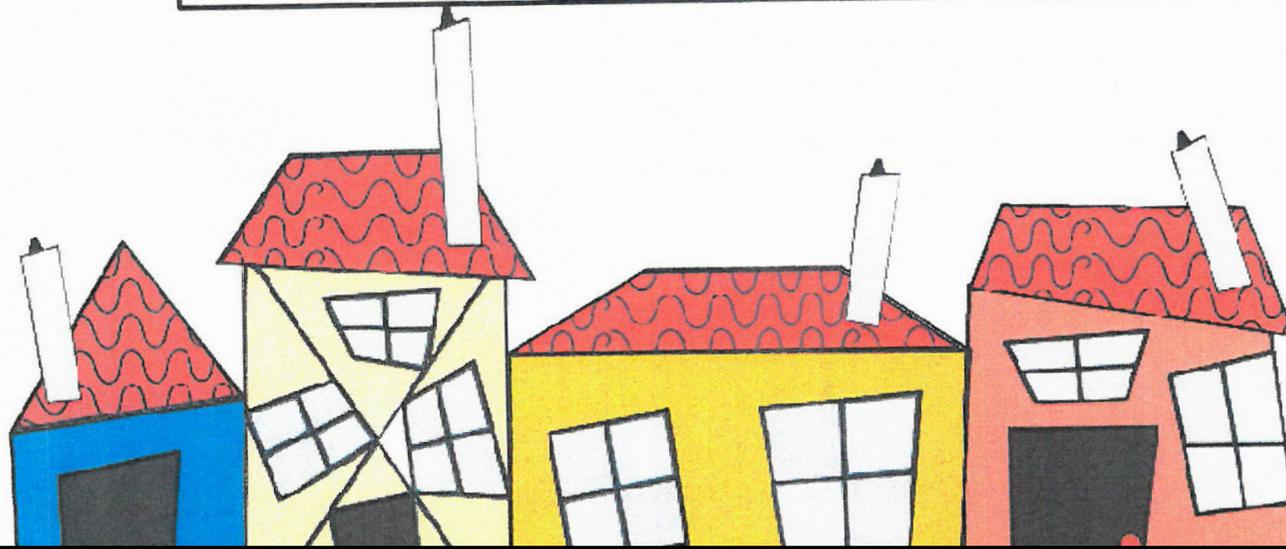


The Murphy family (pictured above) live in Kilcoole, Co. Wicklow. Jim Murphy works as a manager in a local sports centre and Amy Murphy looks after her two daughters Sharon (aged 6) and Molly (aged 3). In her spare time she does some babysitting for her friends. They are having difficulty managing their money in the current economic climate and have come to you for advice. They are worried that Christmas will be very expensive on them and are concerned about their financial situation in 2016. They have given you the information below and have asked for your advice on preparing a budget for the first four months of 2016. They will have €100 in the bank at the start of January.

- John earns €4000 net per month. He will take 3 weeks holidays in March which will mean his income will be €750 for that month.
- Amy earns €300 approx per month for babysitting.
- The Murphy's receive Child Benefit of €135 per month per child.
- Mortgage repayments will be €1000 per month for their home.
- Insurance will amount to €120 per month.
- Household costs will amount to €800 per month.
- Light and Heat will be €70 per month on average.
- Car running costs €90 per month
- Telephone costs are approx. 60 every two months from February
- Molly's birthday is in March and a party will cost €100
- Entertainment for the family costs €50 per month
- The family have booked a holiday to Disneyland in March which will cost €2500

Task; Display the above information in an easy to follow format so the Murphy family can understand it. Classify the different types of expenditure and determine the Murphy's financial position. Use a graph or chart where appropriate. Recommend suitable action for the Murphy family considering your findings and give them advice moving forward.

1EDE
Murphy Family Household Budget



Types of Expenditure

1. **Fixed expenditure** is a household expense where the price is the same every month no matter how much you use the item i.e –mortgage and insurance.
2. **Irregular expenditure** is a household expense that changes every month depending on how much you use the item i.e – light and heat, telephone, petrol.
3. **Discretionary expenditure** is household spending on luxury items for personal use i.e –holiday, entertainment and birthdays.



Analysis of Current Position

1. The Murphy family has €3890 closing cash at the end of the four months.
2. 74.78 % (€11240) of their income (€15030) was used on expenditure.
3. The Murphy family can save 25.22% (€3790) of their income during this period.

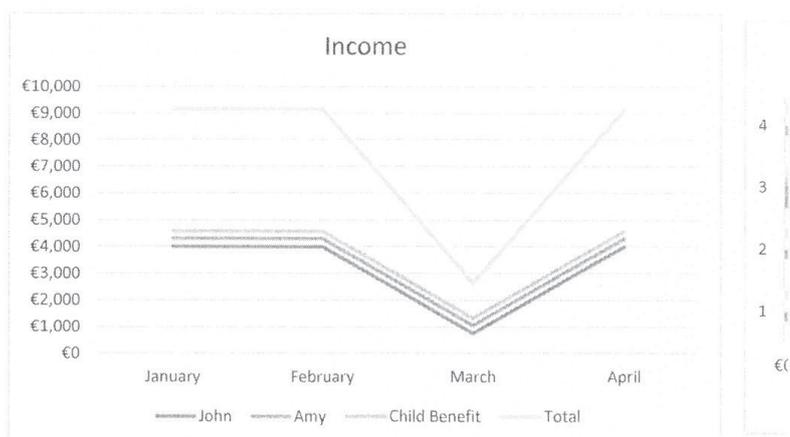


Recommendations/Advice

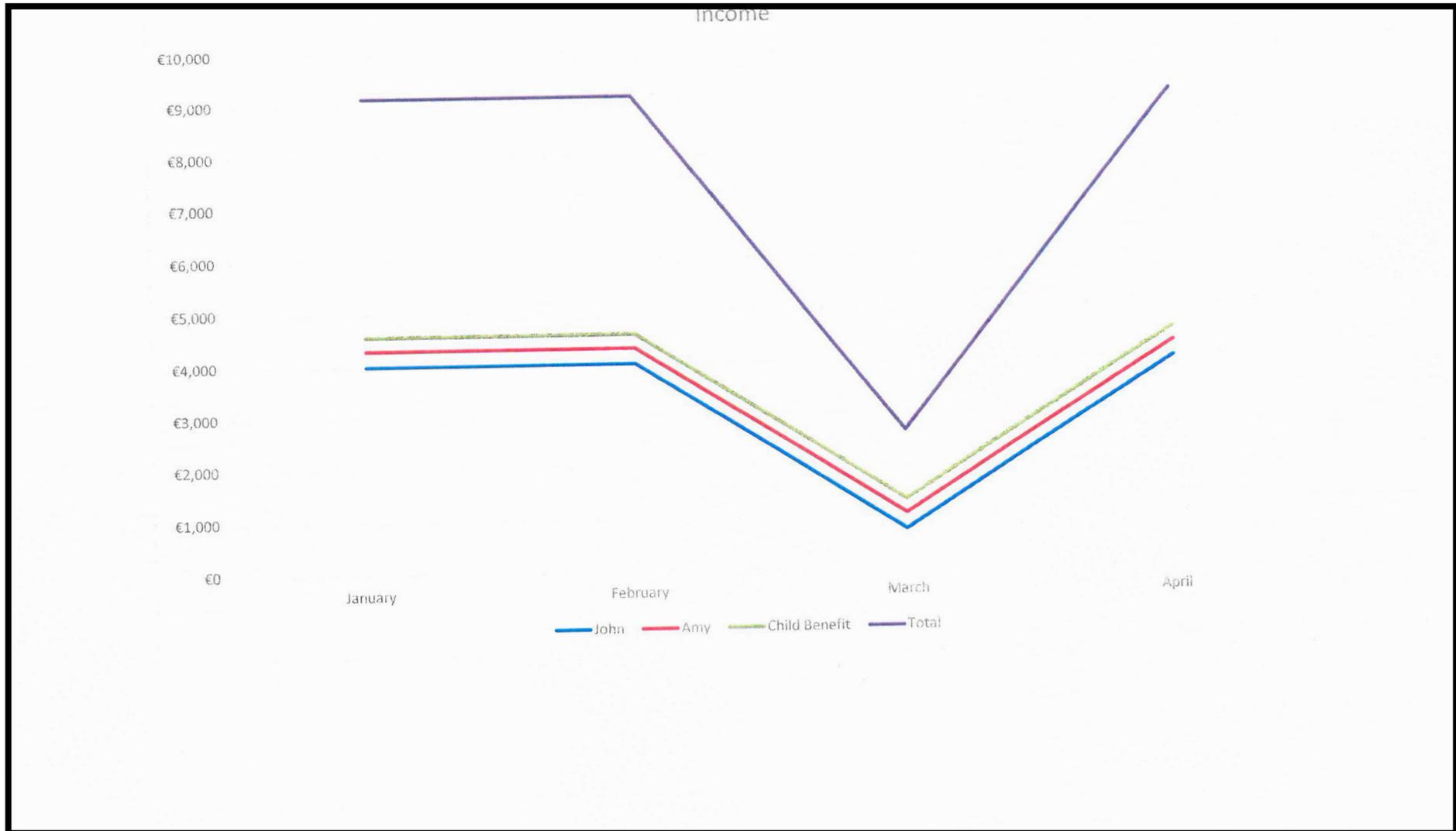
1. They could get insurance quotes to see if they could reduce their premium.
2. They could change telephone provider and move to a reduced payment plan.
3. They could start a savings account for their next holiday.
4. They could examine their household costs to see if they can reduce them.

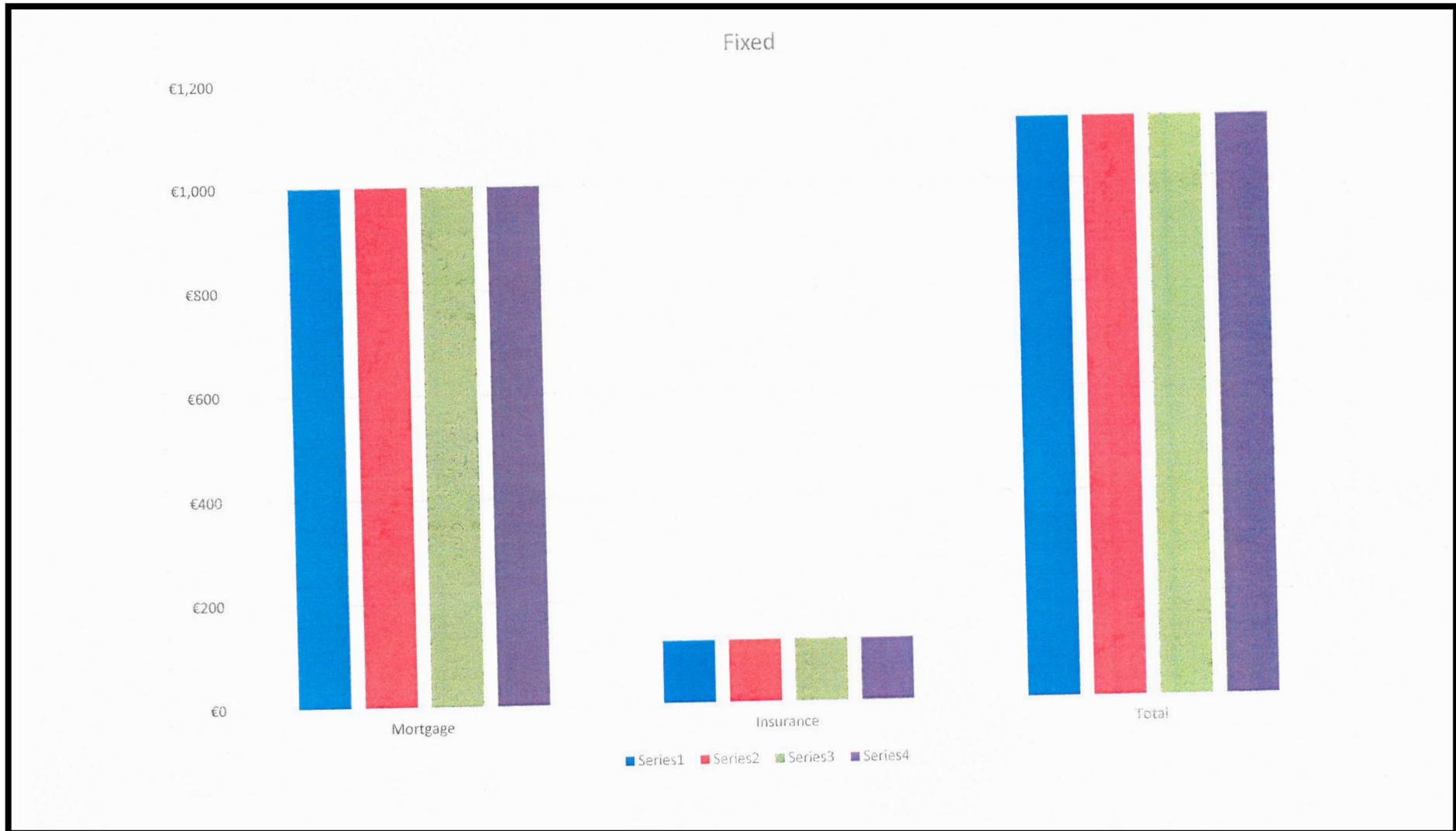


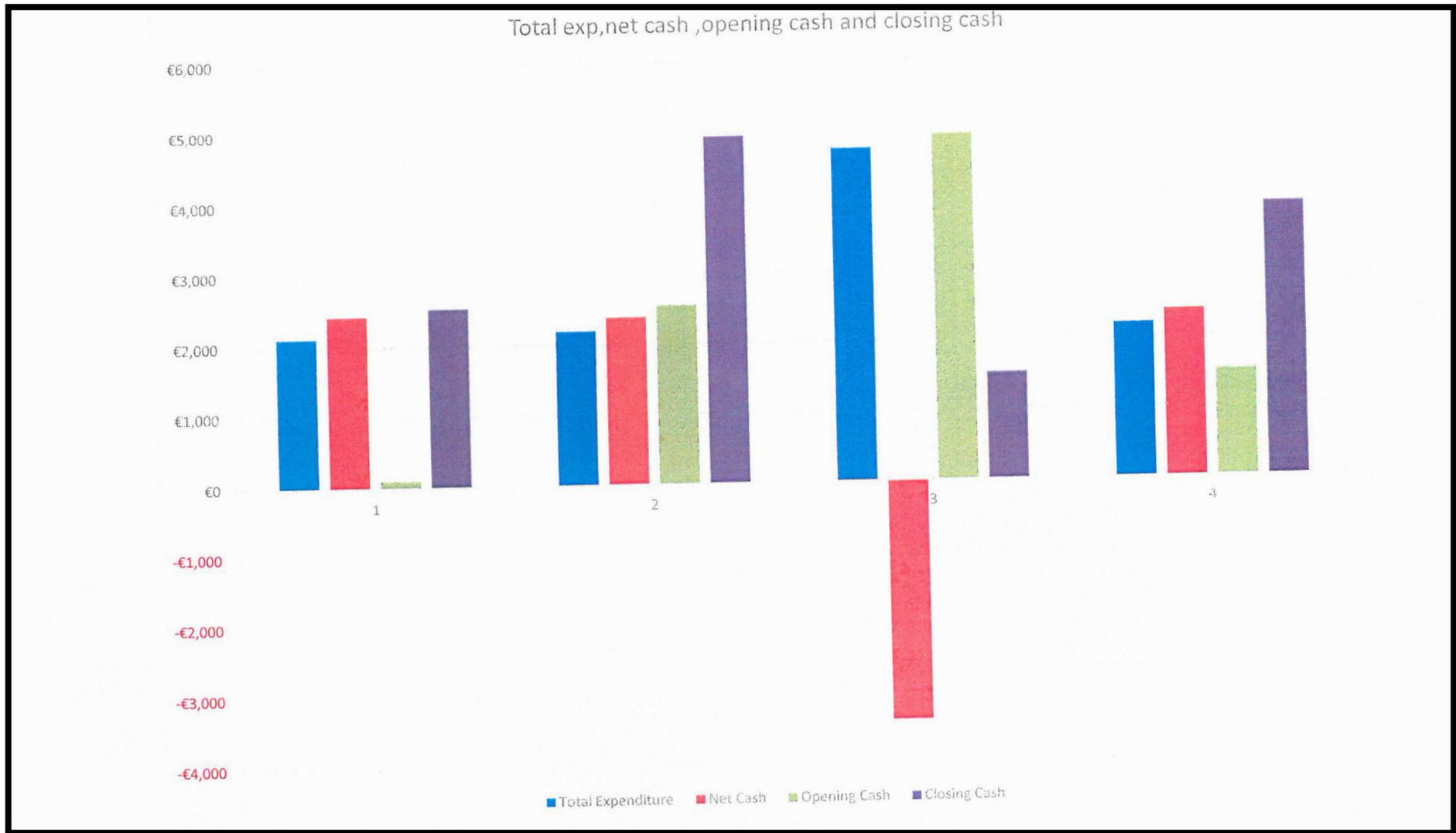
	January	February	March	April	Total
Income					
John	€4,000	€4,000	€750	€4,000	€12,750
Amy	€300	€300	€300	€300	€1,200
Child Benefit	€270	€270	€270	€270	€1,080
Total	€4,570	€4,570	€1,320	€4,570	€15,030
Expenditure					
Fixed					
Mortgage	€1,000	€1,000	€1,000	€1,000	€4,000
Insurance	€120	€120	€120	€120	€480
Total	€1,120	€1,120	€1,120	€1,120	€4,480
Irregular					
Light and heat	€70	€70	€70	€70	€280
Telephone		€60		€60	€120
Car running	€90	€90	€90	€90	€360
Household costs	€800	€800	€800	€800	€3,200
Total	€960	€1,020	€960	€1,020	€3,960
Discretionary					
Birthday			€100		€100
Entertainment	€50	€50	€50	€50	€200
Holiday			€2,500		€2,500
Total	€50	€50	€2,650	€50	€2,800
Total Expenditure	€2,130	€2,190	€4,730	€2,190	€11,240
Net Cash	€2,440	€2,380	(€3,410)	€2,380	€3,790
Opening Cash	€100	€2,540	€4,920	€1,510	€100
Closing Cash	€2,540	€4,929	€1,510	€3,890	€3,890



Fixed







Teacher annotations using the success criteria

The annotations capture observations by the teacher, using the success criteria, with a view to establishing the level of achievement this work reflects. The annotations and judgments were confirmed by a Quality Assurance group, consisting of practising teachers and representatives of the Inspectorate, the State Exams Commission and the Junior Cycle for Teachers support service.

The student fulfilled all success criteria as they:

SC1: The student explained different types of expenditure clearly

SC2: The student prepared a balanced budget fully and accurately, although should have included the date and title of the budget.

SC3: The student explained the data clearly and used graphs to make it easier for the Murphy family to understand, although there is an error in the income graph.

SC4: The student provided an excellent analysis of the financial position based on the information

SC5: The student provided very good advice to the Murphy family

SC6: The student used ICT very effectively as a means of presenting the work

Overall judgement:  Expectational