

# FinED Fiji



## A Manual for Teachers Form 5/6



**PFIP** | Pacific Financial  
Inclusion Programme



Published by Young Enterprise Trust and Pacific Financial Inclusion Programme 2012

These Financial Education resources are produced by the Fiji FinED Project – a partnership between the Ministry of Education, Young Enterprise Trust and the PFIP – supported by the Australian Bilateral Aid Program to Fiji

© United Nations Capital Development Fund 2012

## Contents

<b>1.0 Teachers' notes</b>	<b>5</b>
1.1. Background to the FinED Fiji project	5
1.2. Why Financial Education?	8
1.3. What is in this Manual?	9
<b>2.0 Financial Education Framework</b>	<b>11</b>
2.1 Description and Financial Competencies	11
2.2 Primary Curriculum	15
2.3 Forms Three and Four	23
2.3.1 Form Three Commercial Studies – Personal Finance I (one term)	23
2.3.2 Form Four Commercial Studies – Personal Finance II (one term)	25
2.4 Senior Secondary Forms Five and Six	27
<b>3.0 Assessment</b>	<b>33</b>
<b>4.0 Form Five and Six Assessment</b>	<b>46</b>
4.1 Assessment for Accounting Learning Outcomes – Form Five	
Strand Two Personal Accounting	47
4.2 Assessment for Accounting Learning Outcomes – Form Five	
Strand Four The Accounting Process	82
4.3 Assessment for Economics, English & Mathematics Learning Outcomes – Form Five	109
4.4 Assessment for Economics Learning Outcomes – Form Five	
Business and Accounting System (Course Content Section 5.9)	138
4.5 Assessment for Economics Learning Outcomes – Form Five	
Business and Accounting System (Course Content Section 5.9)	169
4.6 Assessment for Economics Learning Outcomes – Form Five	
Business and Accounting System (Course Content Section 5.9)	196
<b>5.0 Appendices</b>	<b>224</b>
5.1 Regional Financial Education Champion Schools	225
5.2 Useful Financial Terms (Glossary)	226

## 1.0 Teachers' Notes



**Vuli the Vonu**

## 1.0 Teachers' Notes

### 1.1 Background to Fiji Financial Education Curriculum Development Project (FinED Fiji)

#### Education Sector Strategic Development Plan 2012-2014

The Ministry of Education (MoE) is responsible for the design, implementation and evaluation of educational legislation, policies and programmes in Fiji.

#### The Ministry's Vision for Education is:

*"Quality Education for Change, Peace and Progress."*

#### The Ministry's Mission is:

*"To provide a holistic and empowering education system that enables all children to realize and appreciate fully their inheritance and potential contributing to peaceful and sustainable national development."*

The Guiding Principles in the Education Sector Strategic Development Plan 2012-2014 emphasise the need for students to be:

- Motivated and trained to be lifelong learners
- Nurtured in order to live and fully participate in the global village
- Better prepared for the world of work where rapid change is inevitable.

Financial Education enables students to develop important life skills which contribute to the Guiding Principles outlined above. While there is no specific policy on Financial Education, there is an understanding of the role it plays in the goals and aspirations the Fiji government has for its people. School-based Financial Education has the potential to positively impact the well-being of families and the wider community of the people of Fiji.

#### Money Pacific Goals 2020

In 2009, the Money Pacific Working Group (formerly the Coombs Working Party), comprising of central bank governors, Financial Education practitioners and donors, formulated four broad regional goals to achieve the aim of inculcating the region with strong Financial Literacy competency. The goals were entitled "**Money Pacific Goals 2020**", and are as follows:

"In each Pacific Island nation by 2020, through the combined actions of public and private sectors, it is intended that:

- **All school children to receive Financial Education through core curricula**
- All adults to have access to Financial Education
- Simple and transparent consumer protection to be in place
- To halve the number of households without access to basic financial services<sup>1</sup>."

---

<sup>1</sup> Terms of Reference – Integration of Financial Education in the Fiji Primary and Secondary School Curriculum p. 1.

These goals were subsequently endorsed by the **2009 Forum Economic Ministers Meeting in Rarotonga** and adopted by the **South Pacific Central Bank Governors Meeting in Honiara** the same year.

### **National Microfinance Workshop**

In accordance with the Money Pacific Goals 2020, the Reserve Bank of Fiji, in partnership with the Pacific Financial Inclusion Programme (PFIP) and national stakeholders, organised the National Microfinance Workshop (November 2009), to determine priority actions towards a medium-term financial inclusion strategy for Fiji.

Stakeholders at the workshop agreed that this has to be a nationally coordinated effort that is supported by a variety of financial services providers offering a broad range of relevant, accessible, affordable and cost-effective financial services.

To achieve this goal, priority actions would focus on a number of strategic areas of intervention. Suggested components that could lead to the development of a financially literate community include:

- **The introduction of Financial Competency programmes in the school curriculum at all levels through the MoE**
- Building households' Financial Competency through better coordination of current literacy efforts and increased public and private support of adult Financial Literacy training and the greater use of awareness programs (e.g. a green ribbon campaign or national Financial Literacy week) and the media
- Establishing a baseline dataset for the Financial Competency of Fijian households in order to measure the impact of Financial Literacy efforts.<sup>2</sup>

In order to coordinate and give impetus to the action agenda, a National Financial Inclusion Taskforce (NFIT) was established and chaired by the Governor of the Reserve Bank. Three Working Groups, each chaired by a member of the NFIT, were also established to drive the implementation of the strategic areas.

At the first meeting of the Working Group on Financial Literacy, three priority actions were agreed upon, or substantive work begun, in 2010. These are:

- Preparation of a national Financial Competency building strategy
- Implementation of adult Financial Literacy programmes
- **Integration and strengthening of Financial Education into core school curriculum at primary and secondary school levels.**

**FinED Fiji** was founded to realise the priority action: **“Integration and strengthening of Financial Education into core school curriculum at primary and secondary school levels”**. The project is funded by the Australian Government's Bilateral Aid Program to Fiji (AusAID), and is managed by the MoE, in conjunction with the PFIP. The Technical Advisor for FinED Fiji is the Young Enterprise Trust, a New Zealand organisation that delivers Financial and Enterprise Education in schools.

---

<sup>2</sup> Terms of Reference – Integration of Financial Education in the Fiji Primary and Secondary School Curriculum pp. 1-3.

**Phase One FinED Fiji (December 2010 – July 2011) has included the following activities:**

1. The development of a Financial Education Framework for Classes 1-8 and Forms 3-7.
2. The setting up of a Professional Development Group (PDG) which includes membership from the MoE, South Pacific Board for Educational Assessment, PFIP and the Technical Advisors.
3. The appointment of a National Task Manager (NTM), Abigail Chang.
4. An environmental scan of current Financial Education material available in the school and commercial sectors.
5. Streamlining of existing Financial Education materials.
6. Preparation of new materials for Class 3 and Class 4 (primary).
7. Preparation of supporting materials for a Form Four Assessment Task for secondary schools.
8. Identification of Regional Financial Champion Schools and subsequently Regional Financial Education Champion Teachers (RFCTs) for the project.
9. Professional Development for RFCTs on the Financial Education Framework and resources prepared for Phase One class levels.

**Phases Two – Four will span August 2011 – December 2012**

Phase Two – Four will include the following activities:

1. Preparation of new materials for Classes 5, 6, 7, 8, 1 and 2 (primary).
2. Streamlining of materials for Form Three (secondary).
3. Preparation of assessment tasks for Forms Five and Six (secondary).
4. Professional Development for RFCT's on the Phases Two – Four class levels.
5. Professional Development for RFCT's on the Forms Three, Five and Six.
6. Inserting Financial Education training into tertiary teacher training courses.
7. Monitoring and evaluation.

## **1.2 Why Financial Education?<sup>3</sup>**

Financial Education teaches the management of personal finances and investment given a person's personal circumstances. Financial Education will result in a future generation of financially competent young men and women leaving schools who are able to make informed decisions and sufficiently manage their personal finances and investments vis-à-vis their own personal circumstances, whilst contributing positively to their communities, the economy and the country.<sup>4</sup>

Acquiring Financial Competence involves more than the development of mathematics skills that are traditionally included in the school curriculum, such as recognition of coins and notes, and calculations involving sums of cash. Personal Financial Education promotes social inclusion and helps break the cycle of financial exclusion. Being financially excluded means being cut off from the services and benefits of the financial services industry.

Those who are financially excluded become adept at budgeting by saving bits of money in jars or envelopes. But not only does money stored like this not accrue interest, it is also vulnerable to theft.

Financially excluded households are not able to give children the experience of managing money that others take for granted. There is evidence to suggest that such children go on to become financially excluded themselves. Certainly, "children living in poorer families learn about and experience the economic world differently from their peers in other families."<sup>5</sup> This cycle of exclusion needs to be broken.

If future generations are to become financially competent, it is imperative that Financial Education begins early. This means starting Financial Education as soon as students begin their primary education, building on learning throughout the primary and secondary years of schooling. Not all students complete secondary education, so Financial Education learning at class levels 1-8 and forms 3-7 in the Fiji educational system will be fundamental to realising these goals.

---

<sup>3</sup> Ambassador Filipe Bole, Minister for Education 2011, National Heritage, Culture & Arts and Youth & Sports.

<sup>4</sup> Money Counts – Developing Financial Capability in the Primary School – p. 7 Financial Services Authority (2000).

<sup>5</sup> Shropshire, J. and Middleton, S. (1999). *Small Expectations: Learning to be Poor* (York: The Joseph Rowntree Foundation).



### **1.3 What is in this manual?**

#### **Assessment Resources for the Senior Secondary School**

##### **Teachers' Resource Manual**

*The Teachers' Resource Manual for the Senior Secondary School includes:*

- Teachers' notes
- Financial Education Framework
- Assessment discussion
- Assessment Resources for those topics inserted into Accounting, Economics, English and Mathematics at Forms Five and Six (years 11 and 12).
- Glossary
- CD – soft copy of all resources provided in the Teachers' Resource Manual.

##### **Assessment Resources**

The assessment resources provided are based on the Financial Education learning outcomes that have been integrated into Accounting, Economics, English and Mathematics at Forms Five and Six. These assessments may also integrate and link together several of these curriculum areas. This approach is endorsed both in the current Fiji curriculum prescriptions, and new draft syllabus (The Fiji Islands National Curriculum Framework).

There are a number of Financial Education learning outcomes within the various strands of the Accounting, Economics, English and Mathematics prescriptions. There is not necessarily **one** discrete assessment for each of the learning outcomes and, in many instances, the assessments may cover more than one learning outcome. Teachers will want some flexibility in how they deliver the assessments and in which subject area. It will be important to understand the topic and the assessment before implementing an assessment programme.

Whilst there are selected learning outcomes and related assessments that have been provided in this Manual at the Form Five and Six level, Financial Education assessment is optional and is provided as suggested assessment for the discretionary use of teachers to support the current Accounting, Economics, English and Mathematics prescriptions.

##### **Assessment activities**

Prescriptive testing of Financial Education learning is not advocated. There are practical assessment activities that will support the teacher in tracking students' understanding. Checking the accuracy of students' recording in the financial tools (resource sheets, budgets etc) will provide valuable information and assist the teacher in providing effective feedback to students for classroom-based assessment.

Documents that require printing and/or photocopying are provided as soft copies on the Teachers' Resource Manual CD.

## 2.0 Financial Education Framework



**Vuli the Vonu**

## 2.0 Financial Education Framework

The Financial Education Framework for Classes 1-8 was developed in December 2010 by senior members of the Curriculum Advisory Service (CAS) with assistance from the Technical Advisors. Key components include:

- Common understanding (definition) of what Financial Education is
- Competency indicators
- Concepts and conceptual financial understandings for the competency indicators
- Financial Education Framework diagram
- Financial Education strands, sub-strands and learning outcomes.

### 2.1 *Description and Financial Competencies*

**Common understanding of ‘What Financial Education is’.**

**Financial Education is learning directed towards the development of Financial Competency**

**Competency indicators:**

**Through Financial Education students will:**

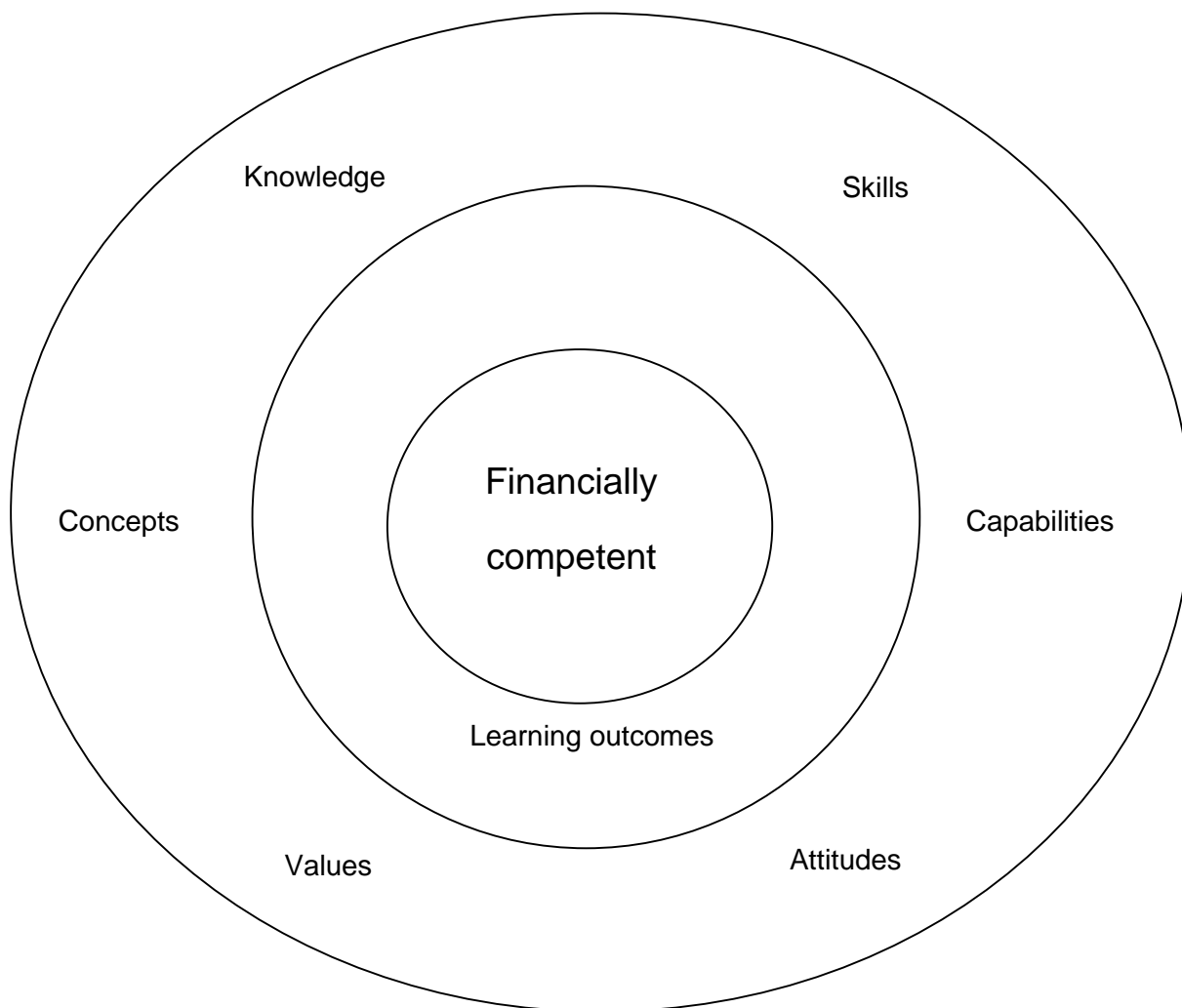
- Become empowered to make informed judgments and decisions
- Gain and apply relevant financial knowledge, skills and values
- Be confident with key financial terms and concepts
- Recognise financial consequences
- Recognise the financial value of cultural wealth
- Select and use financial tools interactively to achieve financial goals
- Understand the importance of time and commitment for achieving financial goals
- Respond wisely to dynamic personal and economic circumstances
- Work towards building community financial well-being and security
- Set and achieve financial goals appropriate to personal and communal values.

### ***Competency Indicators, Concepts and Conceptual Financial Understandings***

<b>Competency Indicators</b>	<b>Concepts</b>	<b>Conceptual Financial Understandings</b>
Become <b>empowered</b> to make <b>informed judgments</b> and <b>decisions</b>	<b>empowered informed judgments decisions</b>	<ul style="list-style-type: none"> <li>• People need financial knowledge, skills and values to be <b>empowered</b> to make <b>informed financial decisions</b></li> <li>• Financially competent people are financially <b>empowered</b> people</li> <li>• People bring different values, knowledge and personal <b>judgments</b> to financial <b>decisions</b></li> <li>• Financially competent people make financial <b>decisions</b> from a range of choices</li> </ul>
Gain and <b>apply</b> relevant <b>financial knowledge, skills</b> and <b>values</b>	<b>apply financial knowledge financial skills financial values</b>	<ul style="list-style-type: none"> <li>• <b>Financial knowledge, skills and values</b> are gained through real life experiences and in contexts that are real to students</li> <li>• <b>Financial knowledge, skills and values</b> are gained when students <b>apply</b> these and experience the consequences of their actions</li> </ul>
Be confident with key <b>financial terms</b> and <b>concepts</b>	<b>financial terms financial concepts</b>	<ul style="list-style-type: none"> <li>• Financial concepts frame peoples' thinking, helping them to make <b>empowered</b> and <b>informed financial decisions</b></li> <li>• Financial concepts <b>use terms and language</b> that are specific to the discipline of money and finance</li> </ul>
Recognise <b>financial consequences</b>	<b>financial consequences</b> (benefits and risks)	<ul style="list-style-type: none"> <li>• Financial opportunities have <b>benefits and risks</b>, and people explore these before making decisions</li> <li>• Good financial decisions bring about the most <b>benefits</b> relative to the <b>risks</b></li> </ul>
Recognise the <b>financial value</b> of <b>cultural wealth</b>	<b>financial value cultural wealth</b>	<ul style="list-style-type: none"> <li>• A nation's place, heritage and <b>culture</b> is unique, and people place a <b>value</b> on this uniqueness</li> <li>• People from other places pay money for these experiences</li> </ul>

Competency Indicators	Concepts	Conceptual Financial Understandings
Select and use <b>financial tools</b> interactively to achieve <b>financial goals</b>	<b>financial tools</b> <b>financial goals</b>	<ul style="list-style-type: none"> <li>People use <b>financial tools</b> to help them make financial decisions to achieve <b>financial goals</b></li> <li><b>Financial tools</b> assist people to think critically, helping them bring together financial knowledge and values to make an informed decision</li> <li><b>Financial tools</b> might include a budget, accounting record such as a bank statement, cash book and balance sheet, savings calculator, interest calculator etc</li> </ul>
Understand the importance of <b>time</b> and <b>commitment</b> for achieving <b>financial goals</b>	<b>time</b> <b>commitment</b> <b>financial goals</b>	<ul style="list-style-type: none"> <li>Gaining <b>financial knowledge</b> and developing financial skills takes <b>time</b> and <b>commitment</b> in a wide range of financial settings</li> <li>Personal <b>financial goals</b> guide thinking and decision making. Achieving a <b>financial goal</b> requires <b>time</b>, <b>commitment</b>, knowledge and skill</li> </ul>
Respond <b>wisely</b> to <b>dynamic personal</b> and <b>economic circumstances</b>	<b>personal circumstances</b> <b>economic circumstances</b>	<ul style="list-style-type: none"> <li>People are astute, active and self-motivated to improve <b>personal, economic circumstances</b></li> <li>People are astute, active and self-motivated to improve the <b>economic circumstances</b> of their nation</li> </ul>
Work towards building <b>community financial well-being</b> and <b>security</b>	<b>community financial well-being</b> <b>financial security</b>	<ul style="list-style-type: none"> <li>Good <b>community financial</b> decisions lead to <b>community financial well-being</b> and <b>community security</b></li> <li>Financially competent people gain personal and <b>community financial security</b></li> </ul>
Set and achieve <b>financial goals</b> appropriate to <b>personal</b> and <b>communal values</b>	<b>financial goals</b> <b>personal values</b> <b>communal values</b>	<ul style="list-style-type: none"> <li><b>Personal financial goals</b> reflect <b>personal</b> and <b>communal values</b></li> <li><b>Communal values</b> shape the critical thinking people engage in when setting <b>financial goals</b></li> </ul>

**Framework Diagram**



## **2.2 Primary Curriculum**

### **Financial strands and sub-strands**

The FinED Fiji Financial Education Curriculum Framework is organised in three strands:

- Managing Money
- Income and Wealth
- Planning Ahead.

Within the three strands there are sub-strands. These are outlined below, with some examples of the Financial Education concepts covered.

#### **Strand: Managing Money**

##### **Sub-strands:**

##### **Money**

What money is, needs and wants, prioritising, banking, security, financial transactions e.g. barter.

##### **Spending and budgeting**

Budgeting, spending, discounts, financial obligations, financial record-keeping e.g. bank statements.

##### **Saving**

Savings options, short-term, medium-term and long-term goals, savings products.

##### **Credit**

Credit, debt, borrowing, interest, hire purchase, layby

#### **Strand: Income and wealth**

##### **Sub-strands:**

##### **Income**

Income and income generation, tax, remittances.

##### **Wealth creation**

Assets and liabilities

#### **Strand: Planning ahead**

##### **Sub-strands**

##### **Financial planning**

Financial goals, investment, inflation, times and deadlines

##### **Financial risk**

Financial obligations, managing risk (insurance)

## Financial Education strands, sub-strands and learning outcomes for Classes 1-8

Curriculum links: **Maths and English** **Maths/English/Social Studies and Social Sciences**

		Learning Outcomes			
Strand	Sub-strand	Class 1 and 2	Class 3 and 4	Class 5 and 6	Class 7 and 8
Managing Money	Money	<ul style="list-style-type: none"> <li>Demonstrate an understanding of the use of 5c - \$1 coins for simple financial transactions</li> </ul>	<ul style="list-style-type: none"> <li>Demonstrate an understanding of the use of coins and notes for financial transactions up to the value of \$20</li> </ul>	<ul style="list-style-type: none"> <li>Demonstrate an understanding of the use of coins and notes for financial transactions up to the value of \$50</li> </ul>	<ul style="list-style-type: none"> <li>Demonstrate an understanding of the use of coins and notes in financial transactions up to the value of \$100</li> </ul>
	<i>Money is the medium we use to pay for transactions</i>	<ul style="list-style-type: none"> <li>Give examples of using money for different purposes</li> </ul>	<ul style="list-style-type: none"> <li>Give examples of the different ways of paying for things e.g. barter, cash, layby, hire purchase</li> </ul>	<ul style="list-style-type: none"> <li>Give examples of the value of Fiji's currency in relation to other currencies</li> </ul>	<ul style="list-style-type: none"> <li>Demonstrate ability to recognise and calculate the value of Fiji's currency in relation to other currencies</li> </ul>
	<i>Through price tickets, money is used to value the goods and services people need and want</i>	<ul style="list-style-type: none"> <li>Explain that to withdraw money from the bank we need to have saved the money first</li> </ul>	<ul style="list-style-type: none"> <li>Explain the different uses of money – paying bills, school fees, church obligations etc</li> </ul>	<ul style="list-style-type: none"> <li>Explain the tangible value of goods and services e.g. being able to read a transaction receipt</li> </ul>	<ul style="list-style-type: none"> <li>Explain the concepts of simple and compound interest</li> </ul>
		<ul style="list-style-type: none"> <li>Demonstrate ability to read and understand simple transaction receipt e.g. bus fare</li> </ul>	<ul style="list-style-type: none"> <li>Demonstrate ability to read and understand transaction receipts e.g. bus fare, supermarket</li> </ul>	<ul style="list-style-type: none"> <li>Demonstrate ability to read and understand more complex transaction receipts e.g. passbook, TMO</li> </ul>	<ul style="list-style-type: none"> <li>Give examples of when interest is incurred e.g. hire purchase, money lenders</li> </ul>



		Learning Outcomes			
Strand	Sub-strand	Class 1 and 2	Class 3 and 4	Class 5 and 6	Class 7 and 8
Managing Money	Spending and budgeting	<ul style="list-style-type: none"> <li>Identify things people 'have to' spend money on (needs e.g. food, housing etc)</li> </ul>	<ul style="list-style-type: none"> <li>Explain how money is used to meet the needs of families</li> </ul>	<ul style="list-style-type: none"> <li>Describe the regular financial commitments families have to make</li> </ul>	<ul style="list-style-type: none"> <li>Write a personal or family budget and use financial tools and records to monitor</li> </ul>
	Managing money is about getting the most value from it	<ul style="list-style-type: none"> <li>Demonstrate understanding of how to use a small amount of money for personal needs and wants</li> </ul>	<ul style="list-style-type: none"> <li>Give examples of ways we need to budget for our 'needs' before our 'wants'</li> </ul>	<ul style="list-style-type: none"> <li>Give examples of how to prioritise needs and wants</li> </ul>	
	Making a plan of how we may spend our money (budgeting) helps people to get better value for money		<ul style="list-style-type: none"> <li>Plan a budget for a small activity e.g. birthday party, class meeting/outing</li> </ul>	<ul style="list-style-type: none"> <li>Write a budget for an activity or event, and keep records of the financial transactions</li> </ul>	<ul style="list-style-type: none"> <li>Write a personal or family budget and use financial tools and records to monitor the budget</li> </ul>

		Learning Outcomes			
Strand	Sub-strand	Class 1 and 2	Class 3 and 4	Class 5 and 6	Class 7 and 8
Saving	<i>People have choices to consider with their money: spend, spend and save, save</i>	<ul style="list-style-type: none"> <li>Give examples of things you would choose to spend money on</li> </ul>	<ul style="list-style-type: none"> <li>Give examples of and compare spending options for a given amount of money</li> </ul>	<ul style="list-style-type: none"> <li>Identify and evaluate different options for depositing savings</li> </ul>	<ul style="list-style-type: none"> <li>Identify and compare savings products offered by banks and other savings institutions e.g. credit unions</li> </ul>
		<ul style="list-style-type: none"> <li>Give examples of things you would need to save for</li> </ul>	<ul style="list-style-type: none"> <li>Give examples of and compare options for saving money</li> </ul>	<ul style="list-style-type: none"> <li>Give examples of the differences between various social groups (cultural, gender, socio-economic) in saving and spending</li> </ul>	
		<ul style="list-style-type: none"> <li>Identify the benefits of saving</li> </ul>	<ul style="list-style-type: none"> <li>Identify the benefits of setting short, medium and long-term savings goals</li> </ul>	<ul style="list-style-type: none"> <li>Give examples of what banks do and what their role is in the community</li> </ul>	<ul style="list-style-type: none"> <li>Give examples of differences between two savings products with regard to risk, interest paid and access to funds</li> </ul>
			<ul style="list-style-type: none"> <li>Give examples of getting value for money</li> </ul>		

		Learning Outcomes			
Strand	Sub-strand	Class 1 and 2	Class 3 and 4	Class 5 and 6	Class 7 and 8
Managing Money	Credit <i>Credit is about borrowing money. We can think about debt in terms of good debt and dumb debt</i>	<ul style="list-style-type: none"> <li>Demonstrate understanding that a borrowed item has value e.g. borrowing a pencil from a friend</li> </ul>	<ul style="list-style-type: none"> <li>Explain what credit is and give examples of using credit to buy things</li> </ul>	<ul style="list-style-type: none"> <li>Explain how credit and interest works</li> </ul>	<ul style="list-style-type: none"> <li>Identify some financial consequences of obtaining credit</li> </ul>
		<ul style="list-style-type: none"> <li>Demonstrate understanding that there are responsibilities on both the borrower and the lender</li> </ul>			<ul style="list-style-type: none"> <li>Identify some consequences of getting into debt</li> </ul>

		Learning Outcomes			
Strand	Sub-strand	Class 1 and 2	Class 3 and 4	Class 5 and 6	Class 7 and 8
Income and wealth	Income <i>Income is money we earn from working, saving (interest) and investing (interest and profit)</i>	<ul style="list-style-type: none"> <li>Give examples of ways in which people earn or receive income</li> </ul>	<ul style="list-style-type: none"> <li>Identify regular and unexpected sources of income</li> </ul>	<ul style="list-style-type: none"> <li>Identify differences in income for different types of jobs</li> </ul>	<ul style="list-style-type: none"> <li>Compare income, spending commitments and life-styles at different stages of life</li> </ul>
		<ul style="list-style-type: none"> <li>Identify ways in which having more or less money has consequences on choices</li> </ul>	<ul style="list-style-type: none"> <li>Give some examples of different types of tax e.g. income tax, VAT</li> </ul>	<ul style="list-style-type: none"> <li>Explain what taxes are made on income and give some examples of how government uses these taxes</li> </ul>	<ul style="list-style-type: none"> <li>Compare different taxes e.g. income tax and VAT and their impact on spending and income</li> </ul>
					<ul style="list-style-type: none"> <li>Explain how income contributes to personal, family and community well-being</li> </ul>

		Learning Outcomes			
Strand	Sub-strand	Class 1 and 2	Class 3 and 4	Class 5 and 6	Class 7 and 8
Planning Ahead	Financial planning  <i>People have future needs and wants that they have to plan for. They use financial planning tools.</i>	<ul style="list-style-type: none"> <li>Give some examples of short-term personal goals e.g. purchase a movie ticket, buy some sweets at the shop</li> </ul>	<ul style="list-style-type: none"> <li>Identify a short-term personal goal (e.g. purchase a book) and write a plan to achieve it through earning and saving money</li> </ul>	<ul style="list-style-type: none"> <li>Identify a medium-term personal goal (achievable in approx 6-12 months) e.g. purchase a toy, a fashion item etc. Write a plan to achieve it through earning and saving money</li> </ul>	<ul style="list-style-type: none"> <li>Identify a long-term personal goal e.g. purchasing e.g. a bike, mobile phone. Write a plan to achieve it through earning and saving money</li> </ul>
					<ul style="list-style-type: none"> <li>Give examples of how financial planning can help you achieve your personal and/or family goals</li> </ul>

		Learning Outcomes			
Strand	Sub-strand	Class 1 and 2	Class 3 and 4	Class 5 and 6	Class 7 and 8
Planning Ahead	Financial planning <i>People have future needs and wants that they have to plan for. They use financial planning tools.</i>				<ul style="list-style-type: none"> <li>Give examples of how to allocate e.g. a weekly allowance for spending, saving and sharing</li> </ul>
Planning Ahead	Financial risk <i>Every financial decision has benefits and costs. Financial risk is a measure of the potential benefits relative to the potential costs.</i>	<ul style="list-style-type: none"> <li>Demonstrate understanding of how to keep money safe e.g. by giving it to a responsible adult, locking it away or depositing it at the bank</li> </ul>	<ul style="list-style-type: none"> <li>Identify and compare different ways of keeping money safe e.g. money box versus bank account</li> </ul>	<ul style="list-style-type: none"> <li>Identify the different types of financial risks that individuals and families face e.g. borrowing money, church obligations</li> </ul>	<ul style="list-style-type: none"> <li>Identify types of financial risks to individuals, families and communities e.g. traditional obligations, failed businesses and/or investments</li> </ul>
		<ul style="list-style-type: none"> <li>Identify consequences of losing money or having it stolen e.g. not having the money to pay for bus fare or lunch at school</li> </ul>	<ul style="list-style-type: none"> <li>Give examples of ways you can reduce the risk of losing or having money stolen</li> </ul>	<ul style="list-style-type: none"> <li>Give examples of ways you can manage and minimise risks to individuals and families e.g. keep within financial means</li> </ul>	<ul style="list-style-type: none"> <li>Give examples of ways to manage and minimise risks to individuals, families and communities e.g. seek investment advice from reliable persons</li> </ul>

## **2.3 Forms Three and Four**

### **2.3.1 Form Three Commercial Studies – Personal Finance I (One term)**

“Effective Money Management”

#### **Income and Money Management**

##### **1. The development and functions of money**

Students could demonstrate such knowledge and understandings when they:

- (a) Describe the development of money including different forms of money (cheques, EFTPOS, credit card payments);
- (b) Describe the qualities of money;
- (c) Apply the qualities of money to the Fijian dollar.

##### **2. Methods of payment**

Students could demonstrate such knowledge and understandings when they:

- (a) Describe how the barter system works;
- (b) Describe how money facilitates personal transactions;
- (c) Compare the advantages and disadvantages of using cash rather than cheques for payment of expenses;
- (d) Describe the function and use of documentation for banking activity (including remittances and money transfers);
- (e) Compare and contrast different methods used for payment of expenses such as EFTPOS, credit card, mobile banking;
- (f) Describe the features of electronic banking (eBank).

##### **3. How consumers earn their income**

Students could demonstrate such knowledge and understandings when they:

- (a) Identify ways (including entrepreneurial activity) in which people can earn an income or times when money is received as gifts, or receive cash as a loan;
- (b) Describe the different sources of income (earned and unearned) for individuals and households;
- (c) Interpret documents related to sources of income (including deductions – documents to include payslips, remittance receipts, bank statement entries);
- (d) Explain the importance that remittances from overseas have on household incomes.

##### **4. How to manage personal finances**

Students could demonstrate such knowledge and understandings when they:

- (a) Describe the different parts which make up a personal/family budget;
- (b) Identify the source documents which are evidence of income and expenditure items of a budget;
- (c) Interpret documents related to the spending of income (including VAT – documents to include invoices for household expenses such as telephone, school fees, transportation, electricity, water meter, shopping dockets, receipts for other payments);
- (d) Identify ways to keep personal financial records;
- (e) Prepare a budget for an individual and a family.

## **5. The benefits of spending income wisely**

Students could demonstrate such knowledge and understandings when they:

- (a) Construct a budget for spending income wisely;
- (b) Evaluate different alternatives of spending using the decision making process;
- (c) Identify opportunity costs related to making specific purchasing decisions;
- (d) Identify the factors which influence decision making such as income levels, personal values, beliefs, obligations and priorities;
- (e) Identify the external economic factors, beyond the control of the individual, which influence decision making;
- (f) Identify what records, such as bank statements, are useful in order to develop money management capability;
- (g) Identify and explain methods for spending income wisely such as buying in bulk, conserving and recycling;
- (h) Utilise budgets to control and manage individual/family spending;
- (i) Investigate the impact of unplanned spending.

## **6. How money is managed over time**

Students could demonstrate such knowledge and understandings when they:

- (a) Identify personal expenses for different living situations and at different life-stages;
- (b) Explain the role of budgets in managing spending and saving in the short and medium term;
- (c) Set up a savings programme for both short and long-term goals;
- (d) Monitor the savings programme to achieve the short-term goal;
- (e) Demonstrate the impact of inflation on income.

## **7. How banks help personal financial management**

Students could demonstrate such knowledge and understandings when they:

- (a) Identify different ways for keeping money safe, such as school banking or banking activities in rural areas;
- (b) Describe how banks can help personal money management, providing a range of services for changing needs;
- (c) Describe the steps for opening a bank account, including the need to have a Tax Identification Number (TIN).

## **8. Issues and trends in personal finance**

Students could demonstrate such knowledge and understandings when they:

- (a) Identify three prudent money management practices for two different communities in Fiji;
- (b) Identify issues that have arisen for Fiji people for personal finance (access to banking facilities, increase in VAT, flow of cash, lack of financial understanding);
- (c) Apply solutions to the identified financial issues;



### **2.3.2 Form Four Commercial Studies – Personal Finance II (One term)**

#### **1. Managing finances related to individual and family events**

Students could demonstrate such knowledge and understandings when they:

- (a) Classify the different expenditures (especially cultural and belief expenditures) relevant to different events which affect individuals living in Fiji;
- (b) Prioritise needs and aspirations within the boundaries of a finite income;
- (c) Identify a range of principles of good financial management;
- (d) Discuss values and ethical factors which impact upon decisions;
- (e) Explore ways in which needs and aspirations may be financed;
- (f) Identify ways of maximising income for an individual and a family;
- (g) Describe how income contributes to well-being;
- (h) Evaluate the benefits and costs of a non-financial nature which influence decision making for such events.

#### **2. Managing credit**

Students could demonstrate such knowledge and understandings when they:

- (a) Identify the advantages and disadvantages of borrowing;
- (b) Identify different sources of borrowing, including financial institution lending, hire purchase, money lenders, store lending, and family;
- (c) Compare and contrast the costs of buying on credit, from a range of lenders, buying with cash and layby arrangements;
- (d) Understand the need to plan and manage debt (for example, discounts for prompt payment, paying on time, paying required amount in full);
- (e) Show the impact of increasing debt on current and future spending options;
- (f) Describe the impact of credit costs, traditional obligations and credit timeframes on different forms of credit arrangements;
- (g) Describe what is meant by credit worthiness and the implications of a credit history;
- (h) Identify the difference between good and bad debt, and manageable and unmanageable debt.

#### **3. The need to protect against financial risk**

Students could demonstrate such knowledge and understandings when they:

- (a) Identify possible risks for loss of value in your family's property (for example, accidents, fire, flood, theft, water damage, loss of income, natural disasters)
- (b) Describe the principles of insurance as a ways of reducing risk;
- (c) Investigate which insurance types are available and the most popular in Fiji;
- (d) Investigate a range of financial institutions which offer insurance cover;
- (e) Investigate changing risk management needs at various life-stages and in relation to income and wealth.

#### **4. Risk and return in relation to popular financial products**

Students could demonstrate such knowledge and understandings when they:

- (a) Investigate generic financial products available to young people in the short and medium term;
- (b) Research the risk and returns involved in investment products, possibly including the sharemarket;
- (c) Investigate the terms and conditions of investments that are offered by a range of financial institutions;
- (d) Give examples of different rights and responsibilities in relation to financial products;
- (e) Compare the risk and return from savings and investment products over time.

#### **5. Why and how people invest income**

Students could demonstrate such knowledge and understandings when they:

- (a) Investigate different ways of investing income to create wealth, including superannuation;
- (b) Investigate and compare interest rates and terms over time;
- (c) Employ a tool to demonstrate the benefits of compound interest;
- (d) Demonstrate the impact of inflation on wealth;
- (e) Demonstrate the impact of tax on wealth;
- (f) Demonstrate the impact of tax on income;
- (g) Demonstrate the impact of tax on cash receipts.

#### **6. Financial planning for the future**

Students could demonstrate such knowledge and understandings when they:

- (a) Investigate life-stage related financial events;
- (b) Investigate how life styles and life-stages influence choices of financial products;
- (c) Determine factors that influence individuals' investment decisions (include values, beliefs and attitudes);
- (d) Demonstrate the longer-term financial consequences of decision making;
- (e) Show various savings commitments for different sorts of items and how decisions for these differ;
- (f) Compare long-term savings goals and trade-offs with short-term goals;
- (g) Draw up a simple investment plan;
- (h) Monitor the implementation of the investment plan.

## **2.4 Senior Secondary Forms Five and Six**

The following learning outcomes have been placed into Forms Five & Six Economics, Accounting, English and Maths.

### **Economics**

#### **1. Credit history and credit records**

Students could demonstrate such knowledge and understandings when they:

- (a) Make informed decisions about the purpose and use of credit;
- (b) Explain the long-term implications of credit arrangements, getting into debt and possible consequences;
- (c) Compare the financial and non-financial implications of spending now with spending later;
- (d) Explain the importance of establishing a good credit history;
- (e) Describe ways to avoid or correct credit problems;
- (f) Explain the purpose of a credit record;
- (g) Identify borrowers' credit report rights;
- (h) Identify ways that a negative credit report can affect a consumer's financial future.

#### **2. Sources of advice**

Students could demonstrate such knowledge and understandings when they:

- (a) Identify available credit advice agencies available in another country.

#### **3. Income decisions**

Students could demonstrate such knowledge and understandings when they:

- (a) Identify and evaluate alternative forms of income;
- (b) Identify one's own income potential;
- (c) Identify a career goal and develop a plan and timetable for achieving it, including education/training requirements, costs and possible debt;
- (d) Make an informed decision relating to personal income in the context of a life-stage or a life event;
- (e) Identify the impact of changes in income;
- (f) Evaluate consequences of a decision relating to personal income.

#### **4. Banking and financial services**

Students could demonstrate such knowledge and understandings when they:

- (a) Identify products and services offered by banking and financial institutions;
- (b) Describe specialised and/or ancillary products and services offered by banking institutions and their purpose;
- (c) Describe access mechanisms and security issues for general products and services;
- (d) Evaluate costs and benefits of the services offered;

- (e) Select and justify the most appropriate account for a given situation.

## **5. Personal financial planning**

Students could demonstrate such knowledge and understandings when they:

- (a) Investigate possible income shocks/disruptions to earning an income and prepare a response;
- (b) Analyse how external factors such as economic, socio-cultural and regulatory factors can affect income and career potential;
- (c) Analyse life-styles possible at different income levels;
- (d) Explain the effect of inflation on income;
- (e) Use a financial or online calculator to determine the future income needed to maintain a current stand of living;
- (f) Identify the factors that affect net worth;
- (g) Calculate and analyse a person/family's net worth;
- (h) Analyse the income value of intangible assets.

## ***Personal Accounting***

### **1. Money management**

Students could demonstrate such knowledge and understandings when they:

- (a) Explain the components, format and process for developing a budget;
- (b) Describe factors affecting take-home pay;
- (c) Design a balanced budget for a person/family to meet financial goals;
- (d) Identify the place of savings in a budget;
- (e) Modify the budget to reflect changing circumstances and/or goals and priorities.

### **2. Financial record keeping**

Students could demonstrate such knowledge and understandings when they:

- (a) Interpret financial documents by identifying the purpose, sender/originator, contact details and other relevant information;
- (b) Reconcile financial document information with personal records to verify accuracy and legitimacy;
- (c) Describe actions required to correct inaccuracies;
- (d) Develop a filing system for keeping financial records, both paper and electronic;
- (e) Evaluate different transaction instruments and relate them to personal requirements;
- (f) Describe record keeping features that financial institutions provide for online account management.
- (g) Demonstrate skill in basic financial tasks, including scheduling bill payments, writing a cheque, reconciling bank statements and monitoring printed or online account statements for accuracy.

## **English**

### **1. The nature of credit**

Students could demonstrate such knowledge and understandings when they:

- (a) Describe credit (the power to obtain goods and services with an obligation on the borrower of future payment to the source of credit);
- (b) Explain why credit imposes an opportunity cost on borrowers and lenders;
- (c) Explain the difference between credit, debt and income;
- (d) Explain how debit cards differ from credit cards and charge cards;
- (e) Give examples of interest rates and terms of credit arrangements;
- (f) Describe the risks and costs of alternative forms of credit;
- (g) Give two examples of “easy access” credit;
- (h) Identify two different types of mortgage lenders and two different types of mortgage loans.

### **2. Legal aspects of credit**

Students could demonstrate such knowledge and understandings when they:

- (a) Describe the rights and responsibilities of the user and issuer of credit in accordance with the Consumer Credit Act 1974;
- (b) Complete a typical credit card application accurately.

## **Mathematics**

### **1. Calculate the costs of credit**

Students could demonstrate such knowledge and understandings when they:

- (a) Using a financial or online calculator, compare the total cost of borrowing for a purchase between \$500 and \$15,000, for three different types of credit;
- (b) Given an “easy access” loan amount and a two-week borrowing fee, calculate the interest rate for the loan period and its annual equivalent;
- (c) Show, by examples of calculations, how the interest rate and loan length affect the cost of credit.
- (d) Give examples to measure the total cost of credit, including the hidden costs, not the interest rate only;
- (e) Employ a tool to calculate and evaluate different savings and debt options and match debt with the future value of purchases;
- (f) Use a tool to demonstrate the benefits of early repayment.

“The Ministry will continue to revise these learning outcomes as part of its normal processes.”

## 3.0 Assessment



**Vuli the Vonu**



### 3.0 Assessment

#### Learning Outcomes

Fiji Subject Area	Prescription Area	Fiji Prescription Placement	Framework Topic Learning Outcomes
Accounting	Strand 2	Personal Accounting	Money Management
Accounting	Strand 4	The Accounting Process	Financial record keeping
Economics and English and Mathematics	5.8  Strand: Basic Mathematics	Consumption and the Consumer	Credit history Credit records Sources of advice Legal aspects of credit Calculating credit costs
Economics	5.9	Business and the Accounting System	Income decisions
Economics	5.9	Business and the Accounting System	Banking and financial services
Economics	5.9	Business and the Accounting System	Personal financial planning

#### What is assessment?

Assessment is frequently referred to as evaluation or appraisal and is about making a judgement of student progress. It is generally used to refer to all activities teachers use to help students learn and gauge progress. It is an on-going process.

Assessment will often provide marks or grades for the teacher, but may also include an element of teacher subjectivity. For this reason, teachers should aim to be fair, transparent and objective.

During assessment, evidence of and information about students' progress is gathered, discussed, analysed, and interpreted. The evidence and information will identify what a student knows, understands and can do with their knowledge of their educational experience. Evidence for assessment can be gathered from a multiple range of sources.

#### Why undertake assessment?

Teachers use assessment for a range of reasons – to grade students, give feedback on progress, to motivate students and give them further learning opportunities. A key purpose of assessment is aimed at understanding and improving student learning. A further purpose is to improve teaching effectiveness and the quality of learning programmes. Learning strengths and weaknesses are identified and student progress is measured against defined learning outcomes.

## **What to assess?**

Before an assessment takes place, teachers need to make their expectations clear to students and set appropriate outcomes for learning. That is, students need to know, at the outset, what they are expected to learn. At the start of a teaching unit, teachers work with their students to understand and find out what they already know and what gaps or misconceptions exist. This pre and post assessment activity can also be used as an evaluative tool to measure behavioural change through learning.

## **How assessment can be undertaken**

All assessment need not necessarily be undertaken by the same individual. Self assessment (where the students monitor their own progress against specific objectives and evidence from their own work), peer assessment (where other students assess their classmates) and teacher classroom assessment are a number of formal or informal approaches to assessment activity.

Assessment is often divided into two types – formative and summative.

Formative assessment is undertaken throughout the learning process. It can be based on a variety of information or evidence sources (e.g., portfolios, works in progress, teacher observation, conversations). The feedback (verbal or written) to the student is primarily descriptive and emphasizes strengths, identifies challenges, and points to next steps. Students' knowledge and skills are determined, including learning gaps, as they progress through a unit of work. One of formative assessment's key goals is to help the teacher check understanding and to modify teaching to keep students on track. In many cases, no grades or scores are provided - record-keeping is primarily anecdotal and descriptive. It is a critical tool in helping students understand how they can improve.

Summative assessment is generally carried out at the end of a unit of work or sequence of lessons. The usual expectation is that summative assessment will generate a course grade. Often, summative assessment is carried out through externally administered examinations. This type of assessment provides a mark or grade against an expected standard. A feature of external examinations is that they often focus the teaching and learning on the potential questions to be asked – teachers teach to the examination. Summative assessment's results can be communicated to students and their parents.

## **School-based and classroom-based assessment**

Individual schools can and do use different styles of assessments. This includes watching student activity in the classroom and an individual's participation in group work. School-based assessment provides the opportunity for teachers to try out teaching approaches they might not otherwise use, particularly if they were teaching to an external examination only. School-based assessment can be formative or summative and requires monitoring to ensure that the results are technically sound.

Classroom-based assessment is the formative and summative evaluation of student learning within a single classroom situation. It focuses on assessing student learning by measuring progress while the student participates in classroom learning activities. It potentially reduces stress associated with examinations or

anxiety at the thought of external assessments. Because teachers are likely to undertake multiple classroom-based assessments, the limitation of judging students in a one-off situation is reduced. Consequently, assessment activities can cover a wider range of skills and knowledge.

### **Standards-based assessment**

A standards-based assessment is one based on outcome-based education (otherwise referred to as performance-based education). The assessment is concerned with what the student knows or is able to do.

Standards-based assessment uses free-form responses to standard questions. The focus is to measure students' skills and competencies against a set of criteria to indicate individual levels of performance rather than providing a ranking of their relative standing in a group. Performance criteria specify the evidence required to meet the learning outcomes.

A well – defined task or activity is identified and students are asked to create, produce or do something, often in settings that involve real-world application of knowledge and skills.

In standards-based assessment, any student who meets all the assessment criteria will pass. If it is necessary or desirable to identify how well students pass, i.e. some meet the criteria better than others and are awarded grades, descriptors for each criterion need to be defined. Whenever there is more than one assessment criterion, decisions have to be made about each criterion's relative weighting or importance. Student feedback should be based on the criteria and how well each criterion was met.

### **Setting up an assessment programme**

Assessment is based on the learning outcomes of a unit of work. In this manual, the learning outcomes for each unit are listed at the beginning of each topic.

Develop the assessment activity. It should be based on the learning outcomes and should enable the students to demonstrate achievement of the outcomes. Communicate to the students what learning outcomes they are going to be assessed on and the assessment criteria (marking schedules) that are going to be used.

The assessment programme should be created in advance of the unit delivery and available to students.

### **Different activities that can be assessed**

- (a) Test with closed questions e.g. multichoice or very short answers
- (b) Test with open questions (room for values and attitudes or multiple answers)
- (c) Assignment (pre-set topic)
- (d) Individual project (general parameters set but actual topic under investigation not set)
- (e) Group project or assignment
- (f) Field work (e.g. interview or investigation)
- (g) Essay or paragraphs
- (h) Calculation activities
- (i) Games

- (j) Classroom presentation
- (k) Exhibition or demonstration
- (l) Learning log
- (m) Observation
- (n) Portfolios
- (o) Response journals

Do you mark...(and if so, how)..?

- (a) Research
- (b) Telling a story (investigation?)
- (c) Group work (is there an element of individual assessment/teacher observation/self or peer assessment?)
- (d) Journals and personal records (a form of self-assessment, an opportunity for students to think about their knowledge of the subject and to strengthen their confidence. Are the journals are graded?)
- (e) Using a case study to show understanding or transfer knowledge. (Criteria in bands with room for personal judgment?)
- (f) Making decisions and drawing conclusions/identifying relationships (
- (g) Group quiz
- (h) Open ended questions.

### **How to use this manual of assessment tasks**

The manual provides a range of assessments for Forms Five and Six Accounting, Economics, English and Mathematics. Most assessments provide answers. No answer is provided where the answer is dependent on the students' attitudes, values and experience or where there is a range of possible answers.

The assessments include multi choice questions, calculation, research and investigation questions, case studies with a range of short and long questions and a small number of activities that could be used as, or expanded to become, Common Assessment Tasks (CAT).

Teachers can choose which assessment tasks to use. Some are more suitable for formative or classroom based assessments and others are ideally used as tests or exams. There are a number of project styled assessments which can be undertaken by an individual, student or group of students.

One or more tasks has been suggested for each subject area. A suggested marking rubric accompanies the suggested task.

Assessment tasks can be combined into a major assessment activity, such as a classroom project or test.

None of these assessments is compulsory. Teachers are free to make up their own assessment plan for their subject area.

***Sample of a marking schedule used for marking a Research Activity for illustration purposes***

<b>Criteria e.g.</b>	<b>Weighting e.g.</b>	<b>Advanced 80+ marks</b>	<b>Proficient 64 – 79 marks</b>	<b>Basic 50-63 marks</b>
<b>Number of sources</b>	X 1	4	3	1 – 2
<b>Accuracy</b>	X 2	Accurate and supported by references or data	Mostly accurate	Barely accurate. Data support limited
<b>Explanation derived from data or own preferences</b>	X 3	Substantial and logical reasoning with explanations relevant and linked to all information	Mostly relevant explanations	Explanation sufficiently refers to data provided
<b>Learning outcome 1</b>	X 1	Has met the learning outcome in depth or justifies the links between or shows an understanding of the consequences .....	Has met the learning outcome in detail or made links between or compares ....	Has met the learning outcome
<b>Learning outcome 2</b>	X 1	Has met the learning outcome in depth or justifies the links between or shows an understanding of the consequences .....	Has met the learning outcome in detail or made links between or compares ....	Has met the learning outcome
<b>Learning outcome 3</b>	X 1	Has met the learning outcome in depth or justifies the links between or shows an understanding of the consequences .....	Has met the learning outcome in detail or made links between or compares ....	Has met the learning outcome
<b>Learning outcome 4</b>	X 1	Has met the learning outcome in depth or justifies the links between or shows an understanding of the consequences .....	Has met the learning outcome in detail or made links between or compares ....	Has met the learning outcome

**Sample of a marking schedule used for Journal Assignments**

<b>Criteria e.g.</b>	<b>Weighting e.g.</b>	<b>Advanced 80+ marks</b>	<b>Proficient 64 – 79 marks</b>	<b>Basic 50-63 marks</b>
<b>Discussion or argument</b>	X 2	Very convincing arguments.	Generalized but reasonable arguments	Adequate reasoning and explanation of their own idea.
<b>Examples/ supporting evidence</b>	X 2	Provided with appropriate and well supported examples and facts and figures from external sources (with reference).	Sufficient examples/ points from external sources to support the arguments.	Poorly argued reasoning to support their stand. Barely adequate examples.
<b>Expression/ Language</b>	X 1	Well expressed, meaning clear	Demonstrates the clear understanding of the topic and their stand	Basic, lacks proper understanding of the question and unable to produce any significant write up.
<b>Learning outcome 1</b>	X 2	Has met the learning outcome in depth or justifies the links between or shows an understanding of the consequences .....	Has met the learning outcome in detail or made links between or compares ....	Has met the learning outcome
<b>Learning outcome 2</b>	X 2	Has met the learning outcome in depth or justifies the links between or shows an understanding of the consequences .....	Has met the learning outcome in detail or made links between or compares ....	Has met the learning outcome

### **Sample marking scheme for a presentation**

<b>Criteria e.g.</b>	<b>Weighting e.g.</b>	<b>Advanced 80+ marks</b>	<b>Proficient 64 – 79 marks</b>	<b>Basic 50-63 marks</b>
<b>Verbal/non-verbal communication</b>	10%	Avoids note reading, good eye contact, shows enthusiasm, positive body language, suitable volume of voice and clarity of language	Enthusiastic, moderately confident with notes and eye contact, language volume acceptable	Read notes, needs to improve eye contact, hesitant, difficult to hear
<b>Visual aids</b>	10%	Minimal text, appealing layout, distraction-free, large font size	Bullet pointed text, appealing layout, few distractions, reasonable font size	Bullet pointed sentences, poor layout, few distractions, font size too small
<b>Structure</b>	10%	Organization very good, logical progression, excellent flow	Organisation good, progression sensible, reasonable flow	Organization poor, poor progression, adequate flow
<b>Discussion questions</b>	10%	Very capable of guiding discussion, very capable of asking and answering questions	Able to guide discussion, able to ask and answer questions	Hesitant to guide discussion, had difficulty asking and answering questions
<b>Introduction</b>	10%	Very good introduction of background material	Adequate introduction of background material	Minimal introduction of background material
<b>Key idea</b>	5%-	Very clear, focused	Clear, brief	Muddled
<b>Main part of presentation</b>	35%	Had depth, accuracy, excellent summary, supporting figures or tables	Had some depth, mostly accurate, relevant summary, some supporting figures or tables	Had little depth, generally accurate, short summary, few supporting figures or tables
<b>Discussion questions</b>	10%	Thought provoking, sufficient quantity	Some questions, provoked some discussion	A few questions, provoked little discussion

<b>Criteria e.g.</b>	<b>Weighting e.g.</b>	<b>Advanced 80+ marks</b>	<b>Proficient 64 – 79 marks</b>	<b>Basic 50-63 marks</b>
<b>Learning outcome 1</b>	X 2	Has met the learning outcome in depth or justifies the links between or shows an understanding of the consequences .....	Has met the learning outcome in detail or made links between or compares ....	Has met the learning outcome
<b>Learning outcome 2</b>	X 2	Has met the learning outcome in depth or justifies the links between or shows an understanding of the consequences .....	Has met the learning outcome in detail or made links between or compares ....	Has met the learning outcome



## Suggested assessment plans

### Subject area – Accounting (Two tasks)

Task One	
Prescription area:	Strand 2
Prescription placement:	Personal Accounting
Learning outcomes:	Money Management
Task:	Question Two (p 53)

### Suggested assessment rubric for Task One

Expected Qualities	Advanced	Proficient	Basic
Classify items into correct entry	Correctly classify 16-18 items	Correctly classify 13-15 items	Correctly classify 9-12 items
Calculate the items correctly	Calculate 16-18 items correctly	Calculate 13-15 items correctly	Calculate 9-12 items correctly
Prepare the budget	Record 16-18 items correctly in the budget	Record 13-15 items correctly in the budget	Record 9-12 items correctly in the budget

Task Two	
Prescription area:	Strand 4
Prescription placement:	The Accounting Process
Learning outcomes:	Financial Record Keeping
Task:	Question Six (p 108)

### Suggested assessment rubric for Task Two

Expected Qualities	Advanced	Proficient	Basic
Collect personal and family source documents	Collect 9-10 source documents	Collect 7-8 source documents	Collect 5-6 source documents
Develop a filing system for source documents	Comprehensive filing system	Appropriate filing system	Adequate filing system

**Subject areas – Economics / English / Mathematics (One Task)**

<b>Task One</b>	
Prescription areas:	Economics 5.8 Mathematics Strand: Basic Mathematics English - range of English skills - nature and legal aspects of credit
Prescription placement:	Consumption and the consumer Basic Mathematics
Learning outcomes:	Credit history Credit records Sources of advice Legal aspects of credit Calculating credit costs
Task:	Question Twelve (p 131)

**Suggested assessment rubric for Task One**

<b>Expected Qualities</b>	<b>Advanced</b>	<b>Proficient</b>	<b>Basic</b>
Ability to calculate Q12 (a) – (e)	All the five calculations correctly stated ( 8 marks )	Four of the calculations correctly stated ( 6 marks )	Three of the calculations correctly stated ( 4 marks )
Ability to understand and comprehend, compare, explain and differentiate types of credit Q12 ( i – m )	All three quantities stated correctly ( 10 marks )	Any two quantities stated correctly ( 8 marks )	One of the quantities stated correctly ( 5 marks )
Ability to implement wise decisions, implications and importance of credit	All quantities correctly stated ( 7 marks )	Any two quantities correctly stated ( 5 marks )	One of the quantities ( 4 marks )
Total:	25 marks	19 marks	13 marks

### Subject area – Economics (Three Tasks)

Task One	
Prescription areas:	5.9
Prescription placement:	Business and the Accounting System
Learning outcomes:	Income decisions
Task:	Question Thirteen (p 159)
Assess on	- Group work and presentation for the project - Learning outcomes

### Suggested presentation assessment rubric for Task One

Presentations			
Expected Qualities	Advanced	Proficient	Basic
Introduction	Very good introduction of background of background material	Adequate introduction of background material	Minimal introduction of background material
Verbal / non-verbal communication	Avoids note reading, good eye contact, shows enthusiasm, positive body language, volume of voice and clarity	Enthusiastic, moderately confident with notes and eye contact, language volume accepted	Read notes, needs to improve eye contact, hesitant, difficult to hear
Discussions Questions	Very capable of guiding discussions, very capable of asking and answering questions	Able to guide discussion, able to ask and answer questions	Hesitant to guide discussions, had difficulty asking and answering questions

### Suggested assessment rubric for assessing the learning outcomes for Task One

Learning outcome:			
Expected Qualities	Advanced	Proficient	Basic
Identifying career goals and develop a plan and timetable for achieving it Part B ( Q1 – Q4 )	All four questions thoroughly and clearly stated	Three questions answered correctly	Two or less than two questions answered
Make an informed decision in the contest of a life stage or event and identify the impact of changes in income	All four questions thoroughly and clearly stated	Three questions answered correctly	Two or less than two questions answered
Evaluate consequences of a decision relating to personal income	All questions thoroughly and clearly stated	Some ability to evaluate consequences of a decision relating to personal income	Limited ability to evaluate consequences of a decision relating to personal income

Task Two	
Prescription area:	5.9
Prescription placement:	Business and the Accounting System
Learning outcomes:	Banking and financial services
Task:	Question Ten (p 190)
Assess on	Design a poster on “Do’s and Dont’s” related to banking security

### Suggested assessment rubric for Task Two

Poster Design on Do’s & Don’ts of Banking & Financial Services			
Expected Qualities	Advanced	Proficient	Basic
Ability to identify five Do’s of Banking and Financial Services	All five Do’s identified ( 4 marks )	At least four Do’s identified ( 3 marks )	At least three Do’s identified ( 2 marks )
Ability to identify five Don’ts	All five Dont’s identified ( 4 marks )	At least four Don’ts ( 3 marks )	At least three Don’ts ( 2 marks )
Originality and Creativity in the Presentation of Poster	Very original and highly creative ( 4 marks )	Some creativity shown ( 3 marks )	Simple illustration ( 2 marks )
Total:	( 12 marks )	( 9 marks )	( 6 marks )

<b>Task Three</b>	
Prescription area:	5.9
Prescription placement:	Business and the Accounting System
Learning outcomes:	Personal financial planning
Task:	Question Nine (p 219)
Assess as:	Test or exam

### **Suggested assessment rubric for Task Three**

<b>Topic Test / Exam</b>			
<b>Expected Qualities</b>	<b>Advanced</b>	<b>Proficient</b>	<b>Basic</b>
Ability to calculate net worth for Nacanieli and Hosea with possible explanations of differences	Both calculations and both explanations correctly stated ( 4 marks )	Both calculations and one explanation correctly stated of vice versa ( 3 marks )	One calculation and one explanation correctly stated ( 2 marks )
Ability to evaluate differences in net worth compared to differences in income	Both evaluations and both comparisons stated correctly ( 4 marks )	Both evaluation and one comparison stated correctly or vice versa ( 3 marks )	One evaluation and one comparison stated correctly ( 2 marks )
Total:	( 8 marks )	( 6 marks )	( 4 marks )

## 4.0 Forms Five and Six Assessment



**Vuli the Vonu**

## 4.1 Assessment for Accounting Learning Outcomes - Form Five

### ***Strand Two Personal Accounting***

#### **Money management**

- (a) Explain the components, format and process for developing a budget.
- (b) Describe factors affecting take home-pay.
- (c) Design a balanced budget for a person/family to meet financial goals.
- (d) Identify the place of savings in a budget.
- (e) Modify the budget to reflect changing circumstances and/or goals and priorities.

#### ***Assessment examples***

##### **Multi choice questions**

1. A budget is looking at
  - (a) Income
  - (b) Expenditure
  - (c) Both
  - (d) Neither

**(Answer – c)**
2. You should always do your budget
  - (a) Weekly
  - (b) Monthly
  - (c) Either, provided that you do it consistently
  - (d) In a time period which matches your income

**(Answer – d)**
3. Which of the following is not always an essential item of expenditure?
  - (a) Housing (rent or mortgage)
  - (b) Transport costs
  - (c) Food for the household
  - (d) Electricity and gas

**(Answer – b)**
4. Budgeting is
  - (a) Planning, making choices and priorities for how you can spend your money
  - (b) Quite unnecessary for most people
  - (c) Scrimping and scraping
  - (d) Recording how you have been spending your money

**(Answer – a)**

5. Tupou has a take home pay of \$1600 per month. She spends \$400 per month on rent and \$50 a week on groceries. She also spends \$200 per month on transport, \$200 per month on clothing, \$200 per month on socialising and \$200 per month on everything else. How long will it take her to save \$2000?
- (a) 5 months
  - (b) 6 months
  - (c) 10 months
  - (d) 12 months

**(Answer – c)**

6. Joshua works for the local council. He is paid fortnightly but is finding his finances harder and harder to manage as he struggles to get through to pay day without borrowing from the pay day lender. Your job is to advise Joshua. He should
- (a) Borrow on his credit card instead of from the pay day lender
  - (b) Think about ways he can increase his income (overtime or part time job)
  - (c) Change his lifestyle to live within his means
  - (d) Look at both increasing his income and reducing his expenditure

**(Answer – d)**

7. Marama has income of \$2000 per month. After all her expenses (rent, groceries, telephone, power etc.) she has \$150 per month left. The \$150 per month is her
- (a) Disposable income for saving
  - (b) Gross income
  - (c) Net income
  - (d) Net expenses

**(Answer – a)**

8. Which people or groups of people are least likely to need to do a budget?
- (a) The government
  - (b) A 7 year old child
  - (c) A plumbing business
  - (d) A school board of Trustees
  - (e) A university student
  - (f) A 53 year old Managing Director

**(Answer – b)**

9. Anjani has a budget but still seems to spend more than she earns. What should she do?
- (a) Stop budgeting – it clearly doesn't work
  - (b) Carry a note book and write down what she spends her money on at the time she spends it
  - (c) Do her budget on a computer
  - (d) Get a friend's budget and copy it

**(Answer – b)**



10. Sunia has an income of \$1700 per month from his job. His per month expenditure is

Rent	\$450
Food	\$400
Clothing	\$100
Phone/power	\$150
Transport	\$200
Entertainment	\$200
Other	\$300

Sunia overspends by \$100 per month. If he can increase his income by 5%, and reduce his entertainment expenditure by 20%, his food costs by 10% and his transport by 5%, what will his surplus be?

- (a) \$15
- (b) \$75
- (c) \$175
- (d) \$275

**(Answer – b)**

## **Large case studies**

### **Question One**

#### **The friends**

Lemeki, Timi, Waisale and Esekia live in a house near FNU. They have been sharing the house for about three months. Lemeki, Timi and Waisale are tertiary students while Esekia has a full time job in the joinery industry. Esekia earns \$386.40 a week after tax.

Esekia has a car that he is paying off over two years. The repayments are \$316.59 a month. He also has a credit card with a limit of \$2,000. Because he earns a regular income he usually buys things as and when he wants. At the moment he has \$440 on his credit card which is due this month if he is to avoid interest costs. Interest on outstanding amounts is charged at 19.5% p.a. on a monthly basis.

Timi also owns a car, which he bought for \$1,000 with some savings. He finds it difficult to maintain the car properly and sometimes is unable to afford mechanical repairs required to keep the car up to Warrant of Fitness standards. Sometimes he wonders whether it is worth keeping the car because of the cost of running it.

The friends agreed to share the rent of \$350 a week on the basis of room size and ability to pay. As a consequence Esekia has agreed to pay \$95 a week but occupies the biggest and best bedroom. The other three are paying \$85 each a week.

They agreed to split the other costs equally. These expenses are working out at:

Phone rental \$36 a month in total.

Power including heating, hot water and cooking, \$100 a month in total.

Food - \$40 a week from each flatmate.

Phone tolls average out about \$50 a month in total but are paid by whoever makes the calls.

Lemeki and Waisale have part time jobs at the local fast food outlet. They both work about 20 hours a week and each earn \$8 an hour after tax.

Timi works at his Dad's warehouse on Saturday afternoons for 5 hours and on Sundays for 6 hours. He gets \$116.88 after tax for the eleven hours he works.

All the friends enjoy listening to music. Lemeki and Timi have purchased a sound system. Timi thought it was a good investment to get the most expensive system they could afford. He asked his Dad if he would buy the system on their behalf because they had no credit rating and they would pay him back in instalments. His Dad agreed but decided to purchase the system on HP and have the boys pay the instalments on his behalf. The instalments amount to \$55.36 a month and are shared equally between Timi and Lemeki.

Waisale has brought his computer (which cost \$2,000) to the house and lets everybody use it. They have

decided to arrange an Internet connection and have found a good deal that allows unlimited access for \$25 a month. Waisale has signed up for this and it is agreed that they will split the \$25 monthly connection four ways.

Additional information:

- Lemeki and Waisale spend \$8 a week on bus fares
- Esekia spends \$35 a week on car running costs
- Esekia has taken out a fully comprehensive insurance for his car. The insurance costs \$1,000 a year with an excess of \$2500
- Timi spends \$20 a week on his car running costs. Timi has an outstanding repair bill for \$150 in order to get the warrant of fitness for his car. He does not know how he will pay for this.
- Esekia spends on average \$20 a week on clothes
- Lemeki, Timi and Waisale spend \$30 a week on entertainment. Esekia spends \$60 a week.
- For the month in question, the toll calls are split 50% to Esekia, 25% to Timi and the remainder equally between Lemeki and Waisale
- Each of the boys spends about \$6 a week on CD's and other personal items
- Lemeki is given \$75 a week allowance from his parents
- Timi is given \$25 a week from his father
- Waisale receives \$50 a week from his parents to help with his costs

Questions:

- (a) Draw up a weekly budget for each of the friends. (For ease of calculation, assume each month has four weeks).
- (b) All the incomes are recorded as net incomes. Why?
- (c) None of the boys saves. What saving level would you recommend for each friend? Justify your answer on the basis of their surplus or deficit for their weekly budget.
- (d) What other advice would you give each friend about their income/expenses/savings/lifestyle?
- (e) Adjust each budget so that each friend saves a little and if possible, up to 10% of their total income.

## Answers

Proposed weekly budget	Lemeki	Timi	Waisale	Esekia	Suggested Marks
<b>Income</b>					
20 hours x \$8	160.00		160.00		1
11 hours		116.88			1
Weekly amount				386.40	1
<b>Allowances</b>	75.00	25.00	50.00		1
<b>Total</b>	235.00	141.88	210.00	386.40	1
<b>Expenses</b>					
Rent	85.00	85.00	85.00	95.00	1
Phone	2.25	2.25	2.25	2.25	1
Electricity	6.25	6.25	6.25	6.25	1
Food	40.00	40.00	40.00	40.00	1
Toll calls	1.56	3.13	1.56	6.25	1
Car repayments				79.15	1
Car running expenses		20.00		35.00	1
Repair bill					
Fully comp insurance				20.83	1
Sound system	6.92	6.92			1
Credit card					
Internet	1.56	1.56	1.56	1.56	1
Bus fares	8.00		8.00		1
Clothes				20.00	1
Entertainment	30.00	30.00	30.00	60.00	1
CD's and personal items	6.00	6.00	6.00	6.00	1
<b>Total expenses</b>	187.54	201.11	180.62	372.29	1
<b>Net surplus</b>	47.46	(59.23)	29.38	14.11	2

## Question Two

### Marina and Samuela Moce

Marina works full time at the local area council offices as a clerical officer. She earns a salary of \$15,000 a year. Her husband, Samuela, is a shift supervisor and usually works nights at a furniture assembly plant. He is paid \$350 a week. They have three teenage children, Maria, Semisi and Noa.

**Marina** and **Samuela** own their house although they have a mortgage that has about 15 years to run before the house is fully paid off. The mortgage repayments are \$75 a week.

They have a car that **Marina** uses to get to work and **Samuela** uses to get to his night shift job. They needed a car that would not let them down so they bought a recent model using a finance arrangement offered by the car dealer. The car repayments are \$87 a week.

Because they live on a tight budget but want to give the kids the best upbringing they can, **Marina** has developed a weekly budget in order to manage their affairs.

**Marina** likes to take all possible expenses into account each week regardless of whether those costs will be incurred in that week or not.

For example she has worked out that on average their medical bills amount to \$35 a month. Even though in some months nobody is sick, Marina likes to allocate that expense each week so that she knows the cost will be covered when it actually happens.

When working out the costs on a weekly basis she usually tries to calculate the annual cost and then divide that by 52 to get a weekly cost.

School fees work out at \$500 a year and school uniforms and shoes work out at \$150 per child each year.

**Marina** estimates that she spends about \$500 a year on clothes for herself and \$200 a year on shoes, while **Samuela** spends about \$200 a year on shoes and \$400 a year on clothes. Samuela's work provides him with protective clothing for work.

#### Additional information

- Marina gives the three children \$10 pocket money a week
- She estimates that school trips cost about \$100 a year
- The household food bill each week is \$200
- Insurance costs for the house are \$500 a year and for the contents \$400 a year
- Electricity costs add up to \$110 a month.
- Telephone and internet costs are \$60 a month
- House rates are \$700 a year
- Samuela estimates he spends about \$800 a year on house maintenance

- Motor vehicle costs are
- Petrol \$40 a week
- Car maintenance \$800 a year
- Car insurance \$350 a year
- The bus fares for all the children total \$15 a week

#### Questions

- (a) Draw up a weekly budget for the Moce family.
- (b) Marina and Samuela's incomes are recorded as a net income figure. What factors could have affected their take home pay?
- (c) State two goals that Marina and Samuela have identified and explain how these are being met through the budget.
- (d) What is their annual budgeted surplus or deficit? Suggest what they could do with this amount.
- (e) Are there any items missing from the budget?
- (f) If the family needed \$2000 for a special event at the end of the year, modify the budget so that they could meet this goal.

### Answer

Income			Year/Month	
Marina		288.46	15000y	288.46
Samuela		350		350
		638.46		
Expenses				
Family costs				
	Food	200		200
	Medical bills	8.08	35m	8.08
	Education costs	9.62	500y	9.62
	Children's pocket money	30		
	School trips	1.92	100y	1.92
	Clothing and shoes	33.65	1750y	33.65
House running costs				
	Mortgage repayments	75		75
	Insurance (house)	9.62	500y	9.62
	Insurance (contents)	7.69	400y	7.69
	Electricity/gas	25.38	110m	25.38
	Telephone and internet	13.85	60m	13.85
	Rates	13.46	700y	13.46
	House maintenance	15.38	800y	15.38
Transport				
	Petrol	40		40
	Car maintenance	15.38	800y	15.38
	Bus fares	15		15
	Car insurance	6.73	350y	6.73
	Car repayments	87		87
Total expenses		607.76		
Surplus/deficit		30.7		

## Short answer questions

### What's a budget?

A budget is just a **plan** of income and expenditure. Budgets can be used by households, businesses and individual people.

People use budgets so they can:

- Keep themselves out of **debt**
- **Save** up for something important
- Achieve their life **goals**

### Question Three

#### (a) Why do you need a budget?

Budgets make it possible for people to reach their savings goals.

What is something **you** would like to save up for?

- **Short Term** (within the next couple of months) **examples**

Item: **smallish consumer goods, such a mobile phone, clothes, concerts and events**

Cost: **variable but suggest less than \$500**

---

- **Medium Term** (one to two years away) **examples**

Item: **suggested items could include planned school trips, holidays, larger consumer items, funds required for tertiary studies.**

Cost: **Variable but likely to be more than \$500**

---

- **Long Term** (more than that!!)

Item: **house deposit, funds for tertiary studies, the working overseas experience**

Cost: **as appropriate**

---

To be able to afford these items, you will need to monitor your income and spending and have planned savings. There must be money left over after your week's spending (a **surplus**) which can also be saved.



### (b) Homework task

Monitor any money you receive and pay over the next week. Write everything down, including that extra \$10 you ask your parents for the weekend and the extra trip to the canteen at lunchtime to buy your friend's lunch.

Money Received		Money Paid	
Source	Amount	Item	Cost
<b>Total</b>		<b>Total</b>	

**Total Savings:** This week I put \$\_\_\_\_\_ into my savings.

A balanced budget is one where the total expenses + total savings = total income.

Does your budget balance? Yes/No/Sometimes/Usually

### Why bother with budgeting?

If you budget, it will allow you to:

- Set priorities
  - House ✓
  - iPod ✗
  - Groceries ✓
- Keep out of debt and stop falling behind in repayments
- Restrain from impulse buying
- Get as many wants as possible

### Question Four

#### Essentials (Needs) Vs. Discretionary (Wants) - and other terms

Needs are items that we have to have for survival, but when completing a budget, we have to include any debt repayments in this section as we have to pay these for our financial survival. These expenses can be broken into **essentials (needs)** can be **fixed, variable or mixed expenses** and **discretionary (wants) expenses**.

(a) What do you think these terms mean?

Essentials (needs) **something absolutely necessary**

Fixed **the amount doesn't change due to usage**

Variable **the amount changes with use or consumption**

Mixed **the amount has a fixed and variable component**

Discretionary **A wish or desire for something you would like to have but is not essential. It increases your enjoyment of life.**

(b) Go back to your homework task in Question Three (b) and classify each of the items in your “money paid” section.

- Circle the Essentials (needs) with a black pen
- Circle the Discretionary (wants) with a red pen

**Extra** – classify the essentials into fixed (F), variable (V) and mixed (M).

(c) What are some items that may be essentials to some people and seen as discretionary by others?

**Answers will vary, but may include**

**Cell phone, cigarettes, Pay TV etc.**

### More Terms...

(d) We call any money received “**receipts**”. This can include wages, loans, and pocket money. Think of three more.

**Answers may vary**

1. **Dividends**

2. **Interest received**

3. **Gifts etc.**

(e) We call any money paid “**payments**”. This can include rent, telephone, and bus fares. Think of three more.

**Answers may vary**

1. **Clothes**

2. **Donations**

3. **Insurance etc.**

(f) Many of these items that we receive or pay all the time or in an expected pattern are **regular** in occurrence. Others cannot be planned with certainty and can come ‘out of the blue’. These are **irregular** in occurrence.

Think of four for each.

Regular	Irregular
1. <b>Rent</b>	1. <b>Dentist visit for a filling</b>
2. <b>Electricity</b>	2. <b>Car repairs</b>
3. <b>Insurance</b>	3. <b>Doctor’s visit due to illness</b>
4. <b>Wages</b>	4. <b>Lotto winnings</b>

- (g) The first attempt at a budget is called a **draft budget**. It is possible that this version may end up with a deficit (more spending than income). If this happens, then alterations must be made. The final version is called a **balanced budget**.

To correct a deficit you could get a second job or a higher paying job. What other ways could you reduce a budget deficit? What types of payments are you likely to be able to reduce?

**You can alter any variable payments, though if it is an essential, then it may be hard to reduce it too much. You can certainly alter your discretionary items, as you don't need them to survive.**

Any money left over after all payments have been taken into account is called **disposable income**.

### Question Five

- (a) Match the terms in Column A with those in Column B.

Column A	Column B
• Fixed (expenses)	• Expenses which consist of a constant fixed portion and a variable portion.
• Variable (expenses)	• Absolute necessities or basics of life.
• Mixed (expenses)	• Any money received.
• Essentials (needs)	• The final version of the budget ensuring there is no deficit.
• Discretionary (wants)	• Amounts paid or received in a non-regular or uneven pattern.
• Receipts	• Expenses which don't change with levels of usage or from period to period.
• Payments	• Things that we would like to have but are not essential for survival.
• Regular	• A work in progress which may indicate a deficit.
• Irregular	• Expenses which change depending on the level of use or consumption and may change from period to period.
• Draft budget	• Amounts paid or received in a uniform pattern, in time or manner.
• Balanced budget	• Any money paid.
• Disposable income	• Income left after taxes have been paid and is available for spending and saving.

## Solutions

Column A	Column B
• Fixed (expenses)	• <b>Expenses which don't change with levels of usage or from period to period.</b>
• Variable (expenses)	• <b>Expenses which change depending on the level of use or consumption and may change from period to period.</b>
• Mixed (expenses)	• <b>Expenses which consist of a constant fixed portion and a variable portion.</b>
• Essentials (needs)	• <b>Absolute necessities or basics of life.</b>
• Discretionary (wants)	• <b>Things that we would like to have but are not essential for survival.</b>
• Receipts	• <b>Any money received.</b>
• Payments	• <b>Any money paid.</b>
• Regular	• <b>Amounts paid or received in a uniform pattern, in time or manner.</b>
• Irregular	• <b>Amounts paid or received in a non-regular or uneven pattern.</b>
• Draft budget	• <b>A work in progress which may indicate a deficit.</b>
• Balanced budget	• <b>The final version of the budget ensuring there is no deficit.</b>
• Disposable income	• <b>Income left after taxes have been paid and is available for spending and saving.</b>

(b) Give two examples of each of the following terms.

Term	Example 1	Example 2
• Fixed	• <b>Insurance</b>	• <b>Rent</b>
• Variable	• <b>Petrol</b>	• <b>Food</b>
• Mixed	• <b>Telephone</b>	• <b>Electricity</b>
• Essentials (needs)	• <b>Insurance</b>	• <b>Food</b>
• Discretionary (wants)	• <b>Pay TV</b>	• <b>Designer label clothes</b>
• Receipts	• <b>Wages</b>	• <b>Interest received</b>
• Payments	• <b>Credit card payment</b>	• <b>Any expense</b>
• Regular	• <b>Telephone</b>	• <b>Insurance</b>
• Irregular	• <b>Car repairs</b>	• <b>Doctor's visit</b>

(c) Budget format for the month of \_\_\_\_\_

<b>Receipts/Income (Regular) (for example)</b>		
<b>Pocket money/allowances</b>	\$	
<b>Wage (or salary)</b>	\$	
<b>Grant/bursary</b>	\$	
<b>Estimated Variable Receipts/Income (for example)</b>		
<b>Neighbourhood jobs</b>	\$	
<b>Baby sitting</b>	\$	\$
<b>Total income</b>		\$
<b>Payments/Expenses</b>		
<b>Essentials (Needs)</b>		
<b>Fixed expenses (for example)</b>		
<b>Transport</b>	\$	
<b>Board/rent</b>	\$	
<b>Insurance</b>	\$	
<b>Variable or mixed expenses (for example)</b>		
<b>Food</b>	\$	
<b>Telephone</b>	\$	
<b>Petrol</b>	\$	
<b>Electricity</b>	\$	
<b>Clothes</b>	\$	\$
<b>Discretionary (Wants) (for example)</b>		
<b>Label clothes</b>	\$	
<b>Entertainment</b>	\$	
<b>Magazines/books</b>	\$	
<b>Presents</b>	\$	
<b>Snack food</b>	\$	
<b>Cell phone</b>	\$	
<b>Donations</b>	\$	
<b>Sports/hobbies</b>	\$	
<b>Haircuts/personal services</b>	\$	\$
<b>Total expenses</b>		\$
<b>Savings</b>		\$
<b>Total payments &amp; savings</b>		\$
<b>Surplus/Deficit</b>		\$

The surplus or deficit is the receipts less total payments and savings.

Place the following budget items under the correct heading in the budget format.

<b>Snack food</b>	<b>Donations</b>	<b>Electricity</b>	<b>Label clothes</b>
<b>Wage (or salary)</b>	<b>Cell phone</b>	<b>Board/rent</b>	<b>Sports/hobbies</b>
<b>Food</b>	<b>Grant/bursary</b>	<b>Clothes</b>	<b>Magazines/books</b>
<b>Telephone</b>	<b>Presents</b>	<b>Neighbourhood jobs</b>	<b>Entertainment</b>
<b>Petrol</b>	<b>Babysitting</b>	<b>Transport</b>	<b>Insurance</b>
<b>Pocket money/allowances</b>	<b>Haircuts/personal services</b>		

When completing a budget, all figures must use the same time period. This should be the same period in which you receive your income. i.e. if you get your income weekly then the budget should be drawn up using weekly figures. It may require you to complete some calculations to change your payments into weekly amounts.

Budgets can be prepared using

- Pencil and paper
- Spreadsheet software
- Money Management software e.g. MYOB
- Online budget calculators

(d) Factors affecting take home pay

The amount of money earned is the gross pay. The difference between take home pay (net pay) and gross pay will depend on the deductions taken out of the gross pay. Deductions may be compulsory, such as income tax, or optional in type and amount such as union fees/levies, FNPF contributions, automatic savings deductions, Christmas Club deductions, repayments of loans/fines.

**Find a person who has the following deductions from their take home pay**

Add any other deductions you discovered while filling in the table below.

FNPF contributions	repayments of loans/fines	union fees/levies
automatic savings deductions	income tax	Christmas Club deductions

Find out the nature of each deduction.

## Question Six

### Goals & Priorities

#### Goal Setting

All goals need to be SMART.

- Specific – provides further detail about the goal
- Measurable – how will you know when you have achieved the goal?
- Achievable – can this be realistically achieved
- Relevant – is this related to your dreams
- Time – bound – there is a date set for the achievement of the goal

“If you don’t know where you’re going, you’ll end up somewhere else.” Yogi Berra

“People with goals succeed because they know where they are going.” Earl Nightingale

Setting goals and priorities is an essential activity before drawing up any budget. You need to know what you want to achieve so that you will know when you have succeeded.

Here are some goals:

- Paying off debt
- Saving for
  - a car
  - a stereo
  - a new cell phone
  - tertiary study
  - an overseas trip etc.

Remember the important elements of setting SMART goals. These need to be followed when setting goals for budgeting.

#### (a) Goal Priorities

What do you want to achieve? Be specific.

#### Individual answers

---

---

---

---

---

---

(b) Are your goals SMART?

For each of the goals you wrote above, re-do them so they are SMART.

**Answers to the following will be individual but will need to meet the criteria of a smart goal.**

**1. Short term goal**

Specific
Measurable
Achievable
Relevant
Time-bound

**2. Medium term goal**

Specific
Measurable
Achievable
Relevant
Time-bound

**3. Long term goal**

Specific
Measurable
Achievable
Relevant
Time-bound



4. Put them in order of importance to you.

**Individual answers**

---

1.

---

2.

---

3.

---

4.

---

5.

---

A budget is no good if you write it up and simply stick it in the drawer. It needs to be checked, monitored and altered for changing circumstances. If you want to achieve your goals, there needs to be money left over after you have paid for all your expenses. This is called a surplus and can be saved to enable you to achieve your financial goals.

**Question Seven**

**Steps in developing & monitoring a budget**

As mentioned before, you need to know where you are going and what you want to achieve before you can start the budget process. In fact this is stage one of the process. Every person has different goals and priorities based on age, gender, culture etc. Just because someone's goals are different to your own does not make them wrong – just different!

Once you have done this you need to gather certain pieces of information and 'do' things with them.

- (a) Here is a list of steps for developing and monitoring a budget. Explain **why** you would take each step. (Do this in silence for 5 minutes, then when your teacher allows, share your answers with your neighbour and add any differences.)

What?	Why?
1. Set goals/priorities	So you know where to prioritise your money and set savings plan to achieve your goal.
2. Calculate income on a weekly basis	<b>Because we mostly get paid weekly we can then compare the expenses more accurately.</b>
3. Identify from the needs list – fixed and variable	<b>This is important so that we know where we have no flexibility and where if we cut down a little we may be able to make savings.</b>
4. Gather information on your payments each week – keep receipts	<b>So you can identify all the areas where you spend money each week. It is easy to forget little amounts and by recording them you can be more accurate.</b>
5. Set a weekly savings amount	<b>It is important to pay yourself first so you can reach your goals.</b>
6. Gather information on net income received	<b>So you can identify where all your money is coming from.</b>
7. Calculate all payments on a weekly basis	<b>So we can compare like with like and we can accurately calculate the net position.</b>
8. If in deficit make alterations	<b>We cannot live on a deficit; the money has to come from somewhere. If our budget shows a deficit we must make changes so that we live within our means.</b>
9. Monitor a budget	<b>A budget needs to be a living document and must be reviewed regularly. If it is not right then changes have to be made and/or we need to be more careful with our spending or increase our income.</b>
10. Separate payments into needs and wants/ aspirations	<b>This is important so that if we have a deficit or we want to increase our savings or debt repayments we know which items can easily be adjusted (our wants).</b>
11. Total all payments	<b>So we can calculate all the spending for the period to help calculate the net position.</b>
12. Get a list of monthly and annual payments such as car registration, etc.	<b>So you remember to add in all those monthly/annual payments that sneak up on you but have to be paid and allocate the amount to your weekly payment amount.</b>
13. Calculate surplus/deficit	<b>So we can see where we are after subtracting all payments from our income. If it's a surplus we may be able to increase our savings, if a deficit we need to go back and make changes to our spending.</b>
14. Total all income	<b>So we can calculate all income earned for the period to help calculate the net position.</b>

(b) Now put the steps in order.

Step Number	What
1	Set goals/priorities
6	Gather information on net income received
4	Gather information on your payments each week – keep receipts
12	Get a list of monthly and annual payments such as car registration, etc.
5	Set a weekly savings amount
2	Calculate income on a weekly basis
7	Calculate all payments on a weekly basis
14	Total all income
10	Separate payments into needs and wants/ aspirations
3	Identify from the needs list – fixed and variable
11	Total all payments
13	Calculate surplus/deficit
8	If in deficit make alterations
9	Monitor a budget

(c) So, to put it all together.

What?	Why?
1. Set goals/priorities	So you know where to prioritise your money and set savings plan to achieve your goal.
2. Gather information on net income received	So you can identify where all your money is coming from.
3. Gather information on your payments each week – keep receipts	So you can identify all the areas where you spend money each week. It is easy to forget little amounts and by recording them you can be more accurate.
4. Get a list of monthly and annual payments such as car registration, etc.	So you remember to add in all those monthly/annual payments that sneak up on you but have to be paid and allocate the amount to your weekly payment amount.
5. Set a weekly savings amount	It is important to pay yourself first so you can reach your goals.
6. Calculate income on a weekly basis	Because we mostly get paid weekly we can then compare the expenses more accurately.
7. Calculate all payments on a weekly basis	So we can compare like with like and we can accurately calculate the net position.
8. Total all income	So we can calculate all income earned for the period to help calculate the net position.

What?	Why?
9. Separate payments into needs and wants/ aspirations	This is important so that if we have a deficit or we want to increase our savings or debt repayments we know which items can easily be adjusted (our wants).
10. Identify from the needs list – fixed and variable	This is important so that we know where we have no flexibility and where if we cut down a little we may be able to make savings.
11. Total all payments	So we can calculate all the spending for the period to help calculate the net position.
12. Calculate surplus/deficit	So we can see where we are after subtracting all payments from our income. If it's a surplus we may be able to increase our savings, if a deficit we need to go back and make changes to our spending.
13. If in deficit make alterations	We cannot live on a deficit; the money has to come from somewhere. If our budget shows a deficit we must make changes so that we live within our means.
14. Monitor a budget	A budget needs to be a living document and must be reviewed regularly. If it is not right then changes have to be made and/or we need to be more careful with our spending or increase our income.

### **Question Eight**

#### **Receipts & payments**

##### **Receipts**

The time frame for receiving money is not always the same. Wages are usually weekly; a salary is often fortnightly or maybe monthly. Student loans – living costs are paid weekly. Interest is often received monthly and dividends maybe twice a year. Money for birthdays or Christmas is received once a year. It is important that these are all transferred into a common time period; otherwise we will end up comparing apples and oranges.

The time period you base your budget on should be related to how often you get paid for your main income. i.e. if you get paid weekly then all amounts for both receipts and payments **must** be changed to weekly.

## Payments

Payments can also be made over different time periods.

(a) What time periods would best match the following payments?

Payment	Time Period
Rent	Weekly
Electricity	Monthly
Insurance	Yearly
Clothes	Monthly
Telephone	Monthly
Entertainment	Weekly
Food	Weekly
Internet	Monthly
Hire purchase repayments	Monthly
Bus pass	Weekly/monthly

**Above are suggested answers only and students may have different solutions.**

Remember the following table to help you change from one time period to another...

7 days in a	Week
2 weeks in a	Fortnight
52 weeks in a	Year
365 days in a	Year
26 fortnights in a	Year
12 months in a	Year

### Worked example

You pay your electricity monthly but get paid weekly. Electricity is \$180 a month. How much would be recorded in the weekly budget?

Working	$\frac{(180 \times 12)}{52} = 2160/52 = \$41.54 \text{ per week}$
---------	---

Remember we are dealing with dollars and cents, so only use 2 decimal places.

- (b) Daven is at school and has a part-time job three days a week at the movie theatre, from which he earns \$400 a month. He pays for his transport to work, his own snacks and personal activities.

### Daven's spending

Transport to work	\$3.50 per day
Snack food	\$21.00 per week
Entertainment	\$12.00 per week
Recreation and sports	\$10.00 per week
CDs and other personal items	\$20.00 per fortnight

What time period should all these figures be changed to?

**Monthly (as that matches his pay period).**

Payment	Working	Figure for budget
Transport	$(\$3.50 \times 3) = \$10.50 \text{ a week}$ $\times 52 = \$546 \text{ a year}$ $\$546/12 = \$45.5 \text{ a month}$	<b>\$45.50</b>
Snack food	$(\$21 \times 52) = \$1092 \text{ a year}$ $/ 12 = \$91 \text{ a month}$	<b>\$91.00</b>
Entertainment	$(\$12 \times 52) = \$624 \text{ a year}$ $/ 12 = \$52 \text{ a month}$	<b>\$52.00</b>
Recreation	$(\$10 \times 52) = \$520 \text{ a year}$ $/ 12 = \$43.33 \text{ a month}$	<b>\$43.33</b>
CDs etc.	$(\$20 \times 26) = \$520 \text{ a year}$ $/ 12 = \$43.33 \text{ a month}$	<b>\$43.33</b>

**Now:** Complete the budget for Daven.

Add in how much you think he should spend on clothes each month, and how much he should save.

Daven's monthly budget	\$	\$
Income		
<b>Wages</b>	<b>400</b>	<b>400</b>
Expenses		
Essentials – Fixed		
<b>Transport</b>	<b>45.50</b>	
Discretionary		
<b>Snacks</b>	<b>91</b>	
<b>Entertainment</b>	<b>52</b>	
<b>Recreation</b>	<b>43.33</b>	
<b>CDs etc.</b>	<b>43.33</b>	
<b>Clothes</b>	<b>???</b>	
Total Expenses		<b>275.16</b>
Savings	<b>???</b>	
Total payments		
Surplus/Deficit		<b>???</b>

Not everyone is as lucky as Daven and has money left over at the end of the budget. The money left over is called a **surplus**. If it is a negative amount, it is called a **deficit**. A budget CANNOT have a deficit and alterations have to be made to the budget to correct this (make it balance). This could mean getting another part-time job or a higher paying job, though that may take time and you need to fix your budget immediately. Until then you need to alter your spending. A credit card is not going to help in the long run as you have to pay it back.

Daven lives at home and his parents pay for most of his essentials (like food and shelter).

What items should you (or can you) adjust first if you have a deficit and don't have someone paying for these things? (Remember you have to eat and have a roof over your head).

**Cell phone use, entertainment, CDs, snacks etc.**

---



---



---

(c) Balancing a budget

1. Tamati has just started living on his own away from home. He has worked out he has the following outgoings:

		Amount per week	fixed / variable / discretionary
Food	\$50 a week	<b>\$50.00</b>	<b>variable</b>
Rent	\$50 a week	<b>\$50.00</b>	<b>fixed</b>
Electricity	\$60 a month	<b>\$13.85</b>	<b>variable</b>
Car Loan	\$368.33 a month	<b>\$85.00</b>	<b>fixed</b>
Petrol	\$30 a week	<b>\$30.00</b>	<b>variable</b>
Clothes	\$520 a year	<b>\$10.00</b>	<b>discretionary</b>
Entertainment	\$40 a fortnight	<b>\$20.00</b>	<b>discretionary</b>
Pay TV	\$32.85 a month	<b>\$7.58</b>	<b>discretionary</b>
Car insurance	\$200 a year	<b>\$3.85</b>	<b>fixed</b>
Savings	\$20 a week	<b>\$20.00</b>	

2. Tamati works in recruitment and earns \$300 a week.

	\$	\$
Income		
<b>Tamati – wages</b>	<b><u>300.00</u></b>	<b>300.00</b>
Expenses		
Essentials – Fixed		
<b>Rent</b>	<b>50.00</b>	
<b>Car loan</b>	<b>85.00</b>	
<b>Car insurance</b>	<b>3.85</b>	
Essentials – Variable		
<b>Food</b>	<b>50.00</b>	
<b>Electricity</b>	<b>13.85</b>	
<b>Petrol</b>	<b>30.00</b>	
Discretionary		
<b>Clothes</b>	<b>10.00</b>	



<b>Entertainment</b>	<b>20.00</b>	
<b>Pay TV</b>	<b>7.58</b>	
Total Expense	<b>270.28</b>	
Savings	<b>20.00</b>	
Total payments		<b>290.28</b>
Surplus/ <u>Deficit</u>		<b>9.72</b>

(d) A budget for Sitiveni

1. Sitiveni has decided he needs to know where his money is going. He has recently bought a house and does not want to get behind in his mortgage repayments. At the current rate of repayment, he will pay off his credit card in four months.

#### Weekly budget

Receipts/Income		Working	Amount per week	Fixed/ Variable/ Wants
Sitiveni's <b>net</b> salary	\$15,500 per year	<b>15,500/52 =</b>	<b>298.00</b>	
<b>Payments</b>				
Mortgage repayments	\$350 per month	<b>(350x12)/52 =</b>	<b>80.76</b>	<b>F</b>
Rates and house maintenance	\$50 per month	<b>(50x12)/52 =</b>	<b>11.54</b>	<b>V</b>
Electricity costs (average)	\$90 per month	<b>(90x12)/52 =</b>	<b>20.77</b>	<b>V</b>
Mobile phone	\$25 per month	<b>(25x12)/52 =</b>	<b>5.77</b>	<b>V</b>
Food	\$60 per week		<b>60.00</b>	<b>V</b>
Clothes and shoes	\$25 per week		<b>25.00</b>	<b>D</b>
Credit card repayment	\$100 per month	<b>(100x12)/52 =</b>	<b>23.08</b>	<b>V</b>
Petrol	\$35 a week		<b>35.00</b>	<b>V</b>
Medical costs	\$15 a fortnight	<b>15/2 =</b>	<b>7.50</b>	<b>V</b>
Car repayment	\$300 per month	<b>(300x12)/52 =</b>	<b>69.23</b>	<b>F</b>
Church donations	\$10 per week		<b>10.00</b>	<b>D</b>
Pay TV	\$35 a month	<b>(35x12)/52 =</b>	<b>8.08</b>	<b>D</b>

- Step 1 -** Calculate the weekly amounts for the receipts and payments. Remember 2 d.p.
- Step 2 -** Which of these expenses are fixed and which are variable?
- Step 3 -** Using these figures complete a weekly budget for Sitiveni.
- Step 4 -** You will find that Sitiveni has a deficit. How much more is Sitiveni spending than he earns? **\$58.73**
- Step 5 -** What payments should he reduce in order to balance the budget? Do your adjustments and complete a new budget so that he has a small surplus. Also Sitiveni would like to pay off his credit card as soon as possible. What do you suggest Sitiveni do to make this happen without having to make alterations to his mortgage house commitments.

## 2. Remember – A Budget cannot end in a deficit – Adjustments MUST be made

Check – Are there any expenses which cannot be reduced?

### Sitiveni's weekly budget

	\$	\$	\$
			After Adjustment
Income			
<b>Sitiveni's wages</b>	<b><u>298.00</u></b>	<b>298.00</b>	
Expenses			
Essentials – Fixed			
<b>Mortgage</b>	<b>80.76</b>		
<b>Car repayment</b>	<b>69.23</b>		
<b>Credit card</b>	<b>23.08</b>		
Essentials – Variable			
<b>Rates &amp; house maintenance</b>	<b>11.54</b>		
<b>Electricity costs</b>	<b>20.77</b>		
<b>Mobile phone</b>	<b>5.77</b>		
<b>Food</b>	<b>60.00</b>		
<b>Medical costs</b>	<b>7.50</b>		
<b>Petrol</b>	<b>35.00</b>		
Discretionary			
<b>Pay TV</b>	<b>8.08</b>		
<b>Clothes &amp; shoes</b>	<b>25.00</b>		
<b>Church donations</b>	<b><u>10.00</u></b>		
Total Expenses			
Savings			
Total payments	<b>356.73</b>	<b>356.73</b>	
<del>Surplus</del> /Deficit		<b>\$58.73</b>	

### **Question Nine**

#### **Altering a budget to reflect changing circumstances and/or goals and priorities**

Life does not stand still and often things change. Our budget needs to change to reflect this.

Examples:

- An unexpected pregnancy
- Being made redundant
- Joining FNPF
- A planned pregnancy so we want to save in preparation for the new baby
- Move from part-time to full-time employment (or vice versa)
- Want to retire at age 50
- Want to work overseas in 2 years
- Want to own your home by the time you're 28

#### **Altering the budget**

##### **Case Study**

**Mere and Rupeni have two children, aged seven and four. Rupeni is a truck driver and Mere earns irregular income by making handicrafts. Rupeni is paid fortnightly.**

Mere and Rupeni have moved back to their inland village to cut costs. They have a car that they use to go shopping at the local shops and take the children to the doctor in the town 20 km away. The car has just broken down and it will cost about \$750 to get it repaired.

Mere and Rupeni's only form of home entertainment is the TV. Their hire purchase payments are \$15 a week and they are three weeks behind.

They have moved to their village only in the last four weeks. The telephone company is refusing to connect the phone until they pay the arrears from their last phone account, as they had the phone disconnected when they left their last home. Arrears total \$180 and the reconnection fee is \$50. They pay \$290 a month off their credit card debt. This includes the minimum payment and interest.

Mere and Rupeni's daughter has asthma attacks and they cannot cut down on her medical costs.

They also spend \$25 a week for their cigarettes (\$10 a week), a lottery ticket (\$3 a week) and the rest helping out their family and friends.

They don't have any idea how they managed to get into this situation.

##### **Income:**

Rupeni and Mere (on average)

\$1000 fortnightly

### Outgoings:

Food	\$240 fortnightly
Rent	\$100 fortnightly
Petrol	\$100 fortnightly
Personal cash	\$50 fortnightly
Children's pocket money	\$20 fortnightly
Children's education costs	\$20 fortnightly
Credit card payments	\$290.00 per month
TV and video hire purchase	\$15 a week
Electricity costs	\$130 per month
Phone	\$43 per month
Insurance (household contents, 3rd party car insurance)	\$180 per year
Car ownership costs (WOF and car registration) and repairs	\$640 per year
Presents (Christmas and birthdays)	\$600 per year
Medical and prescriptions	\$100 per year
Donations	\$1040 per year
Clothing	\$500 per year

### Other debts:

Credit card	\$4500
-------------	--------

- (a) Using the information above, complete Mere and Rupeni's budget on the form provided. List the essentials split into fixed and variable followed by the discretionary items.

### Rupeni and Mere's fortnightly budget

Income:	\$	\$
Rupeni and Mere		1000.00
Expenses:		
<b>Essentials – Fixed</b>		
<b>Rent</b>	100.00	
<b>TV &amp; video hire purchase</b>	30.00	
<b>Insurance</b>	6.92	136.92
<b>Essentials – Variable</b>		
<b>Food</b>	240.00	
<b>Petrol</b>	100.00	
<b>Children's education costs</b>	20.00	
<b>Credit card repayments</b>	133.85	
<b>Electricity costs</b>	60.00	
<b>Phone</b>	19.85	
<b>Car ownership costs</b>	24.62	

<b>Medical &amp; prescriptions</b>	<b><u>3.85</u></b>	<b>602.17</b>
<b>Discretionary</b>		
<b>Personal cash</b>	<b>50.00</b>	
<b>Children's pocket money</b>	<b>20.00</b>	
<b>Presents</b>	<b>23.08</b>	
<b>Donations</b>	<b>40.00</b>	
<b>Clothing</b>	<b><u>19.23</u></b>	<b><u>152.31</u></b>
<b>Total payments</b>		<b><u>891.40</u></b>
Fortnightly savings/debt repayment:		<b>108.60</b>

(b) List their creditors and the amount they owes each one.

Creditor	Amount	Possible arrangements
1. <b>Telephone company arrears and reconnection fee</b>	<b>\$230.00</b>	<b>A Budget Advisor may be able to arrange a drip feed payment arrangement.</b>
2. <b>Hire purchase arrears</b>	<b>\$4500</b>	<b>Pay off as soon as possible as this item has the largest interest cost</b>
3. <b>Car repair</b>	<b>\$750</b>	<b>Arrange for a fixed amount to be deducted from her bank account automatically and paid directly to the garage until the debt has been repaid.</b>
<b>Total owed</b>	<b>\$5710</b>	

(c) Research activity

Rupeni and Mere need to reschedule some of their debt. If there is no amount left over for debt repayment, some of the expenses will need to be altered.

- Find out what arrangements they can make with her creditors so that they could consider rescheduling their debt.
- Prepare a priority schedule for paying off their debt. It is advisable to pay back the debts with the highest interest or those that have greatest impact or family need first.

#### Mere and Rupeni's debt rescheduling timeframe

Priority of debt	Amount per week	Weeks taken to repay
<b>Student researched answers</b>		

3. The impact of the adjustment decisions on Mere and Rupeni and their two children are

**Little left for emergencies as there is no savings.**

**Potentially no transport for activities.**

**Family stress.**

**Any reasonable answer.**

(d) Opportunity cost

Investigate if one of the larger expenditure items (clothing, presents, and car ownership) could be changed.

Expense item:	
<b>Option 1</b> <b>Student researched answers</b>	Consequences/impact
<b>Option 2</b> <b>Student researched answers</b>	Consequences/impact
<b>Option 3</b> <b>Student researched answers</b>	Consequences/impact

(e)

1. Credit history is important and Rupeni and Mere must make arrangements to pay off their debts. The long term consequences of not repaying the debts owed are:

**Poor credit history**

**Difficulties getting hire purchase arrangements or refusal by retailers to extend credit**

**Possible bankruptcy**

2. Once the debts are repaid, how should Rupeni and Mere treat their budget?

**They need to ensure that essentials are placed before discretionary items in the budget and ensure there is a surplus to build up some savings.**

**They need to allow very small treats rather than large treats in order to maintain motivation.**

3. Knowing that they need to repay all their debts, and taking into account the information in the case study, draw a up a new budget that allows them to repay the debts faster. After their debts are paid off, they aim to have a larger fortnightly cash surplus than their current budget provides.

### Mere and Rupeni's re-adjusted fortnightly budget

Income:	\$	\$
Expenses:		
Savings/debt repayment:		

4. Why did you choose to reduce the items you did? Justify the reductions.

### Student supplied answers

[illegible]

5. Are they spending more than they need to on some items or too little on others? What are "realistic" or "reasonable" figures for the essential items of spending? What can be purchased for some of these figures?

### Student supplied answers

---

---

---

6. How could they reduce their costs in some of the areas?

### Student supplied answers

(f) Mere and Rupeni did not manage their risks.

1. How could those risks be anticipated and controlled or managed?

Risk	Control/Management action
1. High medical costs for the daughter.	Find out how to manage the illness better and maintain a healthy lifestyle.
2. Car or other equipment breaking down.	Build up savings for unexpected breakdowns. Learn maintenance skills.
3. They took on fixed regular commitment for wants. (Hire purchase)	Put on automatic payment and ensure that it is manageable in the budget before taking on the debt.



2. What courses of action could you take to avoid getting into this or other similar financial circumstances?

**Transfer a fixed amount to a savings account from the bank account into which their income is deposited.**

**Monitor expenses in case there are unexpected changes.**

**Investigate if they are managing situations in the best way – perhaps a prepaid mobile phone may be cheaper than a landline. Are they using Electricity in the most effective way?**

3. Consider if and how this circumstance would prevent you from reaching your long term goals.

**Short term and unmonitored spending needs to be refocussed. Mere and Rupeni need to start thinking longer term.**

**Debt is not a solution to maintaining a particular lifestyle.**

## 4.2 Assessment for Accounting Learning Outcomes - Form Five

### ***Strand Four The Accounting Process***

#### ***Financial record keeping***

- (a) Interpret financial documents by identifying the purpose, sender/originator, contact details and other relevant information.
- (b) Reconcile financial document information with personal records to verify accuracy and legitimacy.
- (c) Describe actions required to correct inaccuracies.
- (d) Develop a filing system for keeping financial records, both paper and electronic.
- (e) Evaluate different transaction instruments and relate them to personal requirements.
- (f) Describe record keeping features that financial institutions provide for online account management.
- (g) Demonstrate skill in basic financial tasks, including scheduling bill payments, writing a cheque, reconciling bank statements and monitoring printed or online account statements for accuracy.

#### ***Assessment examples***

##### **Multi choice questions**

1. What would be the most suitable method keeping/storing electronic financial records?
- (a) In a shoe box
  - (b) In a secure folder on the computer
  - (c) In a filing cabinet
  - (d) No need to keep them any way

**(Answer – b)**

2. What would be the most suitable method for keeping/storing paper financial records?
- (a) In a shoe box
  - (b) In a secure folder on the computer
  - (c) In a filing cabinet
  - (d) No need to keep them any way

**(Answer – c)**

3. Which of the following is not an important reason to keep financial records?
- (a) For proof of ownership
  - (b) To see how much profit you sell it in a few years time
  - (c) For warranty purposes
  - (d) To use when setting up or reviewing a budget

**(Answer – b)**

4. Which channel gives you the most useful and up-to-date to information on your account?
- (a) Go into branch
  - (b) Monthly bank statement
  - (c) 24/7 online banking
  - (d) Balance from the atm

**(Answer – c)**

5. Which two methods do banks use to keep your online information secure?
- (a) Online ID and password
  - (b) Security guards
  - (c) Anti card skimming devices
  - (d) Encryption

**(Answer – a and d)**

6. Which of the following would be the most useful reason for being able to download your transactions from a statement on an online banking site?
- (a) You can incorporate it into your budget or monitoring process
  - (b) You can change the figures to be what you want them to be
  - (c) It looks pretty
  - (d) You know what payments are coming up next

**(Answer – a)**

7. What items of information would you check on a bank statement?
- (a) That it is your bank statement and not someone else's
  - (b) The closing balance is correct
  - (c) There are no incorrect transactions recorded
  - (d) All of the above

**(Answer – d)**

8. Your electricity account is much higher than you think it should be. Do you
- (a) Think that the electricity company would be right and do nothing
  - (b) Check the meter reading information
  - (c) Contact the electricity company and tell them they have made a mistake
  - (d) Assume that any errors will be corrected in the next account

**(Answer – b)**

9. You have not received a pay slip in the past and you are not sure what all the information means. What should you check?
- (a) Your pay details such the time frame the pay rate and the hours worked.
  - (b) Your tax code
  - (c) Your deductions

- (d) The amount of money deposited into your bank account.
- (e) All of the above.

**(Answer – e)**

10. Interest has been charged to you on your credit card statement. This could be because:

- (a) You spent right up to your credit limit
- (b) You didn't use your credit card this month
- (c) You made a cash withdrawal
- (d) You lost your credit card and someone else used it.

**(Answer – c)**

## Short answer questions

### Question One

- (a) Fill in on the calendar below in order to schedule the following bill payments. (Calendar with 3-month view attached)

# January 2012

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2 New Year's Day	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17 Nina's birthday	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

## Events

*School Term begins 23 January*

# February 2012

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1	2	3	4
5	6 Prophet Mohammed's birthday	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24 Filipe's birthday	25
26	27	28	29			

## Events

# March 2012

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1	2	3
4	5	6	7	8	9 Daadi's birthday	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25 Mother's birthday	26	27	28	29	30	31

## Events

- Electricity payment is due on first Thursday of the month
  - December's bill is \$130
  - January's bill is \$125
  - February's bill is \$95
  - March's bill is \$100
- Rent is due weekly on Thursdays \$80
- Pay school fees before the end of the first week of term \$150
- Pay mechanic by 20<sup>th</sup> of month following the repair (car was taken in on 23<sup>rd</sup> February and cost \$250 to fix)
- Mobile phone bill costs \$62 and is due on the 11<sup>th</sup> of each month
- Income for each fortnight is \$600.

(b) List and add up total outgoings for each month as per your bill payment scheduling.

#### Outgoings

Outgoings	January	February	March
<b>Electricity</b>	<b>130</b>	<b>125</b>	<b>95</b>
<b>Rent</b>	<b>320</b>	<b>320</b>	<b>400</b>
<b>School fees</b>	<b>150</b>		
<b>Car repair</b>			<b>250</b>
<b>Mobile phone</b>	<b>62</b>	<b>62</b>	<b>62</b>
<b>TOTAL</b>	<b>662</b>	<b>507</b>	<b>807</b>

(c) How much money is left each month for other expenses?

Month	Income	Planned outgoings	Left over for other expenses
January	<b>1200</b>	<b>662</b>	<b>538</b>
February	<b>1200</b>	<b>507</b>	<b>693</b>
March	<b>1800</b>	<b>807</b>	<b>993</b>



- (d) How could online bill payment scheduling help you when you have months with large outgoings?

**You can plan for the outgoings in advance and make sure there are sufficient funds in the transaction account to cover them.**

### **Question Two**

- (a) Use the following print out of Baha Patel's online credit card transactions for the period 12 -20 March 2012. He has attached copies of his receipts from the transactions he did, including printouts from any on-line transactions.

1. Check for any errors. Are there any? If so what? **The Cool Store Purchase has been charged twice.**
2. What would you do if there were any errors? **Contact FijiCard**
3. What advantages are there of being able to access your accounts online? **Instant knowledge of error.**

### Transaction list for Baha Patel

Transactions for **FijiCard** \*\*\*\* \* 7831 between **12 Mar 2012** and **21 Mar 2012**

Date	Card	Description	Plan	Reference	Money out	Money in
20 Mar 2012	* 7831	SONGS FOR ME	PURCHASES FijiCard	992003	\$1.29	
19 Mar 2012	* 7831	MIGHTYTYRE LTD BA	PURCHASES FijiCard	991703	\$105.00	
19 Mar 2012	* 7831	THE COOL STORE DENERAU	PURCHASES FijiCard	998041	\$79.53	
19 Mar 2012	* 7831	THE COOL STORE DENERAU	PURCHASES FijiCard	998041	\$79.53	
19 Mar 2012	* 7831	ANIMALS 'R' US SUVA	PURCHASES FijiCard	991903	\$179.03	
16 Mar 2012	* 7831	PUZZLES FOR ME	PURCHASES FijiCard	991608	\$6.49	
16 Mar 2012	* 7831	DOGGIEFOOD 2 U NADI	PURCHASES FijiCard	991600	\$52.40	
14 Mar 2012	*7831	PAYMENT RECEIVED – THANK YOU				\$1,500.00
14 Mar 2012	* 7831	GET IT TODAY - STORE SIGATOKA	PURCHASES FijiCard	991534	\$59.00	
12 Mar 2012	* 7831	CHEAP AS CHIPS BA	PURCHASES FijiCard	997677	\$177.75	
12 Mar 2012	* 7831	DRAVID'S ELECTRONICS NADI	PURCHASES FijiCard	994084	\$1,291.05	
<b>Total Money in</b>		\$1,500.00				
<b>Total Money out</b>		-\$2,031.07				
<b>Difference</b>		-\$531.07				

MIGHTYTYRE

Ba

Wheel alignment

Payment Received

FijiCard \$105.00

\*7831

The Cool Store

Denerau

2 x t-shirts

Payment Received

FijiCard \$79.53

\*7831

Animals 'R' Us

Suva

Dog food

Fish tank parts

Payment Received

FijiCard \$179.03

\*7831

DoggieFood to You

Nadi

Dog food

Payment Received

FijiCard \$52.40

\*7831

Cheap as Chips

Ba

Groceries

Payment Received

FijiCard \$177.75

\*7831

Dravid's Electronics

Nadi

Electronic equipment

Payment Received

FijiCard \$1,291.05

\*7831

# SONGS FOR ME WEB

TAX INVOICE 0009

**Billed To:**

Baha Patel  
1 Queen St  
Nadi  
Fiji

**Order Number:** 867395

**Receipt Date:** 20/03/12

**Order Total:** \$1.29

**Billed To:**

FijiCard .... 7831

**Please retain for your records**

Please See Below For Terms And  
Conditions Pertaining To This Order

Item	Seller	Type	Unit Price
Tuneful tune	Songs for me Web	App	\$.1.29

# PUZZLES FOR ME WEB

---

TAX INVOICE 00012

**Billed To:**

Baha Patel  
1 Queen St  
Nadi  
Fiji

**Order Number:** 1237542

**Receipt Date:** 16/03/12

**Order Total:** \$6.49

**Billed To:**

FijiCard .... 7831

Item	Seller	Type	Unit Price
Crossword77	Puzzles for me Web	App	\$6.49
Order Total:			\$6.49

**Please retain for your records**

Please See Below For Terms And Conditions Pertaining To This Order.

### Question Three

In the table below, complete the information listed at the top of the column for each resource.

	What is the purpose of this financial document?	Sender/ originator	Contact details
Resource 1A	<b>Any 2 of the following:</b> <ul style="list-style-type: none"> <li>Record of items bought</li> <li>The amount paid for each</li> <li>The total amount paid</li> <li>Other reasonable answer.</li> </ul>	Super Specials Supermarket	12 Hill Street, Lautoka Tel. 367 0521
Resource 2A	<b>Any 2 of the following:</b> <ul style="list-style-type: none"> <li>Record of the amount paid</li> <li>All deductions</li> <li>The bank account number into which the payment was made</li> <li>Other reasonable answer.</li> </ul>	Labasa Garage	17 Kadavua Drive, Labasa or Telephone: 0800 123 4558or e-mail: labasagarage@everyday phones.co.fj
Resource 3A	<b>Any 2 of the following:</b> <ul style="list-style-type: none"> <li>Itemises the amount of electricity used</li> <li>What the customer has paid in the last month and now needs to pay</li> <li>Other reasonable answer.</li> </ul>	Hi Energy Electricity Company	12 Pylon Street Nadi or Phone 123 45670
Resource 4A	<b>Any 2 of the following:</b> <ul style="list-style-type: none"> <li>Lists the transactions that have occurred in the current month</li> <li>Lists the amount paid last month, what is due to be paid for the current month</li> <li>Other reasonable answer.</li> </ul>	Fiji Bank	Kadavu Road Suva or Telephone: 0800 368 3774 or e-mail: <a href="mailto:support@fijibank.co.fj">support@fijibank.co.fj</a>

	What is the purpose of this financial document?	Sender/ originator	Contact details
Resource 5A	<p><b>Any 2 of the following:</b></p> <ul style="list-style-type: none"> <li>• Lists the transactions that have occurred in the current month</li> <li>• Lists the opening balance and the closing balance</li> <li>• Other reasonable answer.</li> </ul>	<b>Fiji Bank</b>	<p><b>Kadavu Road</b>  <b>Suva or</b>  <b>Telephone: 0800 368 3774 or</b>  <b>e-mail:</b>  <a href="mailto:support@fijibank.co.fj">support@fijibank.co.fj</a></p>

Answer these questions by referring to the appropriate resource.

- (a) Study Resource 1A. How much was paid for the groceries listed on the account?

**\$29.95**

- (b) Study Resource 2A. Write down the gross and net pay that Netaniu received.

**Gross = \$158.95; Net = \$137.00**

- (c) Study Resource 3A. Write down how much the customer should pay if he pays the account before 13 March 2012?

**\$56.27**

- (d) Study Resource 4A. What is the minimum amount that needs to be paid off on this credit card? When must this be done by?

**\$10.76 by 22 March 2012**

- (e) Study Resource 5A. Write down the opening and closing balances for this bank account.

**Opening balance = \$103.38; Closing balance = \$158.44**

(f) Study all the resources given to you and indicate on the table below whether they are correct or incorrect.

	Correct (Yes/No)	Reason
Resource 1A	No	The multigrain bread has been charged twice
Resource 1B	Yes	
Resource 2A	Yes	
Resource 2B	No	Superannuation (FNPF) deduction has been made when the payslip shows that it is 0% and should not be made.
Resource 3A	No	The daily charge for the 28 days has been incorrectly calculated
Resource 3B	Yes	
Resource 4A	Yes	
Resource 4B	No	The item from Clothes on the Net has been charged twice.
Resource 5A	Yes	
Resource 5B	No	No, the EFTPOS – Fuel4Less has been incorrectly charged

(g) Consider Resources 1A and 1B. Describe the actions that Ema should take to query the inaccuracy that you have identified.

**Ema should take the item back to the shop, together with the cash register receipt and explain the problem to her.**

(h) Consider Resources 4A and 4B. Which resource did you identify as incorrect?

**4B**

(i) Describe the actions that you would suggest should be taken to register a complaint.

**Viliame should write to the bank, stating the problem including the specific transaction, the amount and the date and stating the payments he has made and any other action he has taken.**



## Resources 1A – 5B

Ema has been out doing the shopping. Firstly she bought the items from her mother's list from Super Specials Supermarket: 1 loaf of multi-grain bread, spread, baked beans, a newspaper, a packet of biscuits and 4 ice creams. She also went to Salome's Sewing Shop and bought some fabric (5.2 m costing \$8.74 per metre), a pattern, thread and some pins.

### Resource 1A

#### Super Specials Supermarket

12 Hill Street

Lautoka

VAT No. 47 729404 9 1

500g spread	\$6.79
Bread – Multi-grain	\$4.09
Baked Beans	\$3.15
Icecream (4)	\$5.48
Newspaper	\$2.20
Biscuits	\$3.85
Bread – Multigrain	\$4.09
Total	\$29.95

### Resource 1B

#### Salome's Sewing Shop

16 Nadi Road

Lautoka

Tel 478 16323

VAT No. 61 94919 6 3

5.2m fabric @ \$8.74/m	\$45.45
Cotton thread	\$2.60
Pattern	\$12.15
Pins	\$5.25
Total	\$65.45

Netani, a Year 12 student, works part time on after school and on Saturdays at Labasa Garage. He works 7 hours on Saturdays and a further 4 hours during the week. Netani gets paid \$8.00 per hour. It is his only job. He does not contribute to the FNPF scheme.

### Netani's pay slip

<b>Name</b>	<b>Netani Singh</b>		
FNPF deduction	0%	<div style="border: 1px solid black; border-radius: 50%; padding: 10px; text-align: center;"> <b>Labasa Garage</b>                      17 Kadavu Drive                      Labasa                      Telephone: 1234558                      Email: labasagarage@phonetime.co.fj                      www.. labasagarage.co.fj                      VAT No. 15 033333127 8 2                 </div>	
TIN No: 07-2586-0-5			
<b>Pay Details</b>			
Pay period start date	07/03/2012		
Pay frequency	Weekly		
Pay amount (hourly rate)	\$8.00		
Amount of hours worked per week	11		
Pay Amount (weekly)	\$88.00		
<b>Calculations</b>			
Gross Income (weekly)			\$88.00
Tax deductions		minus	\$00.00
Net Payment		equals	\$88.00
Paid into bank account 21 3886 754237 01			

## Resource 2B

Arieta, also a Year 12 student, works part time on Saturdays and during the week after school at Pampered Pets. She works 5.5 hours on Saturdays and a further 3 hours during the week. Arieta gets paid \$7.50 per hour. It is her only job. Arieta has told her employer that she does not want to contribute to FNPF.

### Arieta's pay slip

Name	<b>Arieta Chang</b>		
Tax Code	M		
Superannuation deduction	0%		
TIN Number	06-3649-0-2		
<b>Pay Details</b>			
Pay period start date	01/11/2012		
Pay frequency	Fortnightly		
Pay amount (hourly rate)	\$7.50		
Amount of hours worked per week	8.5		
Pay Amount (fortnightly)	\$127.50		
<div style="border: 1px solid black; border-radius: 50%; padding: 20px; text-align: center;"> <p><b>Pampered Pets</b> 12 Nausori Road Suva VAT No. 24-44336-9-2 Telephone: 0800 367 2287 email: pamperedpets@phonics.co.fj www.pamperedpets.co.fj</p> </div>			
<b>Calculations</b>			
Gross Income (fortnightly)			\$127.50
Tax deductions	minus		\$00.00
Superannuation (FNPF) employee deductions	minus		\$10.20
Net Payment	equals		\$117.30
Paid into bank account 12 9876 7333222 01			

### Resource 3

Kai decided to check the electricity and phone bills. He knew that the total amount had been paid off the month before so the opening balance of \$0.00 was correct on both bills. Kai checked the electricity meter and decided that the readings given by the electricity company were correct. He knew that he paid \$34.95 for the internet and the phone charges each month of \$75.92 and \$3.05 were correct. He had made 2 calls to the Directory service to get phone numbers he did not know. These cost 60 cents each.

### Resource 3A

## Hi Energy Electricity

#### Hi Energy Gas Company

12 Pylon Street

Nadi

Phone 123 4567

VAT No. 20-91210-03

**Customer Account Number:** 98765

#### Electricity supplied to:

47 Watt Street

Nadi

#### Previous Charges

Total Amount Due at Last Billing

\$ 32.47

Payment 06/02/12 - Thank You

\$ 32.47 CR

Previous Balance

\$ 0.00

#### Amount Due

\$0.00

#### Current Charges

Fixed Charge (\$0.84 per day)

\$ 26.04

Usage Charge (\$1.52 per unit)

\$ 36.48

Total Current Charges

\$ 62.52

\$62.52

#### Payment Details

Account Balance (if paid by 13/03/2012)

\$ 56.27

Amount due after 13/03/2012

\$ 62.52

#### Usage Information

Meter Number	Service Period		No. Of days	Meter Reading		Usage
556655	From	To		From	To	
	01/02/2012	01/03/2012	28	48323	48347	24

### Resource 3B

<b>EveryDay Phones Phone Statement</b>	<b>Customer Number</b>	50226251
17 Vuci Road	Invoice Number	13627412
SUVA	Invoice Date	31 January 2012
VAT No: 24-40075-4-4		

<b>EveryDay Phones Phone Contact</b>	<b>Customer:</b>	<b>Kai Nalatu</b>
T 0800 6623 6642		47 Watt
F 0800 23455 67800		Labasa
W customerservices@everydayphones.co.fj		

### Recent Transactions

31 Dec 2012	Prompt payment discount	-10.00
11 Jan 2013	Credit Card payment	-90.00
	Outstanding Balance	\$0.00

### This invoice

#### **Phone Charges +679 441 0045**

Monthly fee (phone features)	.92
Monthly fee (wiring and maintenance)	3.05
Directory assistance charge (2 calls)	1.20
<b>Total phone charges</b>	<b>80.17</b>

<b>Internet charges</b>	<b>34.95</b>
-------------------------	--------------

<b>Invoice total (including GST)</b>	<b>115.12</b>
--------------------------------------	---------------

### Payment Details

Total Amount Due after 21 February 2013	<b>\$115.12</b>
Discounted amount if paid before 21 February 2013	<b>\$103.61</b>

#### Resource 4

Viliame lives in Savusavu. He tries not to use his credit card much and, if he does, he tries to pay it off in full each month. If he is unable to do this, he tries to pay off as much as he possibly can.

Viliame spent \$43.89 in February and \$49.31 in March on groceries. He topped up his phone with \$20 in February and \$30 in March. In February he spent \$24.55 at Savusavu Service Station while in March he bought a T-shirt costing \$33.85 from Clothes on the Net.

#### Resource 4A

##### Viliame's credit card statement

**Mr Viliame Waqatabu**  
**12 Labasa Road**  
**Savusavu**

**28 February 2012**

**Statement number 37**

**Your statement for account number**

**4455 6677 0321 0997 current interest rate 20.5% p.a.**

**Fiji Bank**  
Kadavu Road  
Suva  
VAT No: 221-44226-9-5  
Telephone: 0800 368 3774  
e-mail:  
support@fijibank.co.fj

Previous balance	\$374.54
Payments received – thank you	\$250.00
Purchases this month	\$90.57
Current balance	<b>\$215.11</b>
Current minimum payment due	\$10.76
Due date	<b>22 March 2012</b>

##### **Purchases this month**

23 Feb	Everyday Phones top-up	\$20.00
24 Feb	Savusavu Supermarket	\$43.89
25 Feb	Savusavu Service Station	\$24.55
28 Feb	Interest	\$2.13
<b>Total purchases</b>		<b>\$90.57</b>

## Resource 4B

**Mr Viliame Waqatabu**

**12 Labasa Road**

**Savusavu**

**31 March 2013**

**Statement number 38**

**Your statement for account number**

**4455 6677 0321 0997**

**Current interest rate 20.5% p.a.**

Fiji Bank  
Kadavu Road  
Suva  
VAT No: 221-44226-9-5  
Telephone: 0800 368 3774  
e-mail:  
support@fijibank.co.fj

Previous balance	\$215.11
Payments received – thank you	\$215.11
Purchases this month	\$147.01
Current balance	<b>\$147.01</b>
Current minimum payment due	\$10.00
Due date	<b>21 March 2013</b>

### **Purchases this month**

18 March	Savusavu Supermarket	\$49.31
21 March	Everyday Phones – mobile top-up	\$30.00
30 March	Clothes on the Net	\$33.85
30 March	Clothes on the Net	\$33.85
<b>Total purchases</b>		<b>\$147.01</b>

## Resource 5

Nashika decided to clean out her wallet and, at the same time, check that her bank statements are correct for January and February. She notices that all the deposits are correct for both months. Nashika had some automatic payments paid directly from her bank account on 8 January and 8 February. These were also correct. In January she withdrew \$40 cash from an ATM and on 16 February she withdrew \$100 from another ATM. The cash register receipts that Nashika found in her wallet showed that she spent \$55.83 at Fuelstop on 24 January and \$35.47 at Fuel4Less on 24 February.

## Resource 5A

**Miss Nashika Mani**

**72 Nadi Road**

**Nasinu**

**31 January 2013**

**Statement number 52**

**Your statement for account number**

**06 8362 1539 00**

Fiji Bank  
Kadavu Road  
Suva  
VAT No: 221-44226-9-5  
Telephone: 0800 368 3774  
e-mail: support@fijibank.co.fj

### Transactions this month

1 January 2013	Balance forward		\$103.38
5 January	Deposit	\$130.00	\$233.38
8 January	AP- Flat Account Company	\$105.00	\$128.38
15 January	Deposit	\$125.89	\$254.27
16 January	ATM Withdrawal	\$40.00	\$214.27
24 January	EFTPOS - Fuelstop	\$55.83	\$158.44



## Resource 5B

**Miss Nashika Mani**

**72 Nadi Road**

**Nasinu**

**28 February 2013**

**Statement number 53**

**Your statement for account number**

**06 8362 1539 00**

Fiji Bank  
Kadavu Road  
Suva  
VAT No: 221-44226-9-5  
Telephone: 0800 368 3774  
e-mail: support@fijibank.co.fj

### Transactions this month

1 February 2013	Balance forward		\$158.44
5 February	Deposit	\$211.64	\$370.08
8 February	AP- Gas Account Company	\$45.83	\$324.25
16 February	ATM Withdrawal	\$100.00	\$224.25
24 February	EFTPOS – Fuel4Less	\$53.47	\$170.78

## Question Four

### Matching assessment

Item	Examples
Money management capability can be improved by	<ol style="list-style-type: none"> <li>1. Monitoring your spending accurately</li> <li>2. Keeping records</li> <li>3. Referring to a number of different documents</li> </ol>
Documents the customer should keep	<ol style="list-style-type: none"> <li>1. Bank statement</li> <li>2. Receipts</li> <li>3. Invoices</li> <li>4. Credit notes</li> <li>5. Payslips</li> <li>6. ATM print outs</li> </ol>
Reasons for referring to documents include	<ol style="list-style-type: none"> <li>1. Finding that there are missed items an original budget</li> <li>2. Looking for significant changes from what had previously been budgeted for</li> <li>3. Providing proof of purchase for insurance or warranty purposes</li> </ol>
A filing system can be	<ol style="list-style-type: none"> <li>1. A shoe box under the bed</li> <li>2. An Excel spreadsheet</li> <li>3. A commercial accounting system</li> <li>4. A locked filing cabinet (filed in alphabetical order)</li> </ol>
For an online account, the customer will need	<ol style="list-style-type: none"> <li>1. Online access</li> <li>2. A password</li> </ol>
Features of internet banking	<ol style="list-style-type: none"> <li>1. Online security</li> <li>2. Timely (24/7) monitoring for accuracy</li> <li>3. Access to electronic documents</li> <li>4. Scheduling of bill payments</li> <li>5. Reconciling bank statements</li> </ol>

Item	Examples
Benefits of internet banking	<ol style="list-style-type: none"> <li>1. Up to date information on the account situation</li> <li>2. Better control of payments</li> <li>3. Faster update than manual systems</li> <li>4. Rapid follow up of discrepancies</li> <li>5. Rapid account reconciliation</li> <li>6. Easy transfer of funds into different accounts</li> </ol>
Online filing can be	<ol style="list-style-type: none"> <li>1. Via a paper printout</li> <li>2. Downloaded and saved in a secure area on your computer accessed via a password</li> </ol>
Electronic scheduling benefits	<ol style="list-style-type: none"> <li>1. Invoices can be pre-paid as soon as they arrive so they don't get forgotten</li> <li>2. Day/date of payments can be controlled</li> </ol>

Match the examples of words or phrases with the item provided.

Referring to a number of different documents

Via a paper printout

Keeping records

Payslips

A commercial accounting system

Timely (24/7) monitoring for accuracy

Monitoring your spending accurately

Rapid follow up of discrepancies

An Excel spreadsheet

Online access

Reconciling bank statements

Finding that there are missed items an original budget

Receipts

Faster update than manual systems

Downloaded and saved in a secure area on your computer accessed via a password

Providing proof of purchase for insurance or warranty purposes

Invoices can be pre-paid as soon as they arrive so they don't get forgotten

Looking for significant changes from what had previously been budgeted for

A locked filing cabinet (filed in alphabetical order)

Day/date of payments can be controlled

Better control of payments

Easy transfer of funds into different accounts

Bank statement

Access to electronic documents

Rapid account reconciliation

A shoe box under the bed

A password

Up to date information on the account situation

Credit notes

ATM print outs

Scheduling of bill payments

Online security

Invoices

## **Question Five**

### **Research**

What transaction instruments will I need?

For this research activity, you will be asked to:

- Evaluate different transaction instruments
- Relate the transaction instruments to your personal requirements.

### **Suggested approach**

- (a) List a range of different transaction instruments (e.g. debit and credit cards, cheques, deposit slips, online transfers, mobile phones, direct debits and automatic payments). You will need to collect information on different types of instruments.
- (b) Evaluate activities that you can undertake with each transaction instrument.
- (c) Identify your current transaction activities.
- (d) Relate which transaction instruments allow you to undertake your current transaction activities conveniently, in a timely manner, with ease of access and with good security?
- (e) What additional activities do you see yourself undertaking in the next 10 years?
- (f) Explain some changes that you may have to make to meet future needs.

## **Question Six**

### **Research**

Personal and Family Source Documents

For this research activity, you will be asked to:

- Collect a range of personal and family source documents
- Develop a filing system for source documents
- Explain how the filing system works.

## 4.3 Assessment for Economics, English & Mathematics Learning Outcomes – Form 5

### ***Economics - Form Five***

- **Consumption and the Consumer (Course content Section 5.8)**

**Credit history and credit records**

- (a) Make informed decisions about the purpose and use of credit.
- (b) Explain the long-term implications of credit arrangements, getting into debt and possible consequences.
- (c) Compare the financial and non-financial implications of spending now with spending later.
- (d) Explain the importance of establishing a good credit history
- (e) Describe ways to avoid or correct credit problems.
- (f) Explain the purpose of a credit record.
- (g) Identify borrowers' credit report rights.
- (h) Identify ways that a negative credit report can affect a consumer's financial future.

- **Consumption and Consumer (Course content Section 5.8)**

**Sources of advice**

- (a) Identify available credit advice agencies available in another country.

### ***English - Forms Five and Six***

#### **Components**

Any of the following:

- Oral English
- Writing
- Language study
- Comprehension
- Learning resources and
- Literature

#### **Nature and legal aspects of credit**

- (a) Describe credit (the power to obtain goods and services with an obligation on the borrower of future payment to the source of credit).
- (b) Explain why credit imposes an opportunity cost on borrowers and lenders.
- (c) Explain the difference between credit, debt and income.
- (d) Explain how debit cards differ from credit cards and charge cards.
- (e) Give examples of interest rates and terms of credit arrangements.
- (f) Describe the risks and costs of alternative forms of credit.
- (g) Give two examples of "easy access" credit.
- (h) Identify two different types of mortgage lenders and two different types of mortgage loans.

### **Legal aspects of credit**

- (a) Describe the rights and responsibilities of the user and issuer of credit in accordance with the Consumer Credit Act.
- (b) Complete a typical credit card application accurately.

### **Mathematics - Form Five**

#### **Topic Basic Mathematics**

- **Money management**

##### **Calculate the cost of credit**

- (a) Compare the total cost of borrowing for any purchase of an item for two different types of credit.
- (b) Calculate the interest rate for the loan period and its annual equivalent.
- (c) Show, by examples of calculations, how the interest rate and loan length affect the cost of credit.
- (d) Give examples to measure the total cost of credit, including the hidden costs, not the interest rate only.
- (e) Calculate and evaluate different savings and debt options and match debt with the future value of purchases.
- (f) Demonstrate the benefits of early repayment.

### **Questions**

#### **Multi Choice Questions**

1. It is most sensible to borrow for things which

- (a) Will go up in value in the future
- (b) Will go down in value in the future
- (c) Will be worth the same in the future
- (d) Will be worth nothing in the future

**(answer – a)**

2. In deciding whether to make a home loan to an individual, which of these factors will be the least important?

- (a) The amount of income of the borrower
- (b) The borrower's previous credit history
- (c) The size of the deposit that the borrower has
- (d) The type of house that the borrower is buying

**(answer – d)**

3. Anish is borrowing \$120,000 on his \$150,000 house. His Loan to Value Ratio (LVR) is
- (a) 20%
  - (b) 60%
  - (c) 125%
  - (d) None of these.

**(answer – d)**

4. A credit card will attract a high interest rate. This is because:
- (a) It does not have a bank account with it
  - (b) The customer can pay it off at any time
  - (c) The credit card is usually only for small amounts of credit
  - (d) Credit cards are unsecured lending

**(answer – d)**

5. Pita borrows \$17,500 for a \$20,000 car. Six months later, Pita falls into arrears on the hire purchase, the car is sold for \$14,000 and Pita still owes \$3,500. Which of these is most likely to happen?
- (a) The lender will forget about the \$3,500 that is still owed and forgive him
  - (b) The lender will continue to add interest and any other costs to the amount and pursue Pita for it to the point of forcing him to sell other assets and possibly bankruptcy
  - (c) Pita will be told to repay the \$3,500 when he can
  - (d) Pita could go to a debtor's [prison until the amount is repaid

**(answer – b)**

6. The finance rate of a loan (true cost of credit) can be different from the interest rate because:
- (a) The interest rate is a variable rate
  - (b) The finance rate does not include any penalty for early repayment
  - (c) The finance rate includes all the costs of borrowing (application fee, compulsory insurance) as well as interest
  - (d) None of these

**(answer – c)**

7. Which statement best describes a table loan?
- (a) You can pay it off whenever you like
  - (b) You only have to pay interest during the loan, and pay off the principal in one lump sum, at the end
  - (c) Your monthly repayments remain the same throughout the loan, these payments are partly interest and partly principal repayments so that the loan is completely re-paid by the end
  - (d) You can only have a variable rate loan

**(answer – c)**

8. Which of the following is incorrect? Credit cards are useful because

- (a) You do not have to repay them in full each month
- (b) You can save on bank fees
- (c) The credit card gives you a period of free credit
- (d) They are convenient

**(answer – a)**

9. Which of the following statements is TRUE about the finance rate?

- (a) The finance rate is the actual rate of interest paid over the life of the loan
- (b) The finance rate is expressed as a percentage on an annual basis
- (c) The finance rate is a good measure of comparing loan costs
- (d) The finance rate takes into account all loan fees
- (e) All of the above

**(answer – e)**

10. Which is TRUE about credit cards?

- (a) You can use your credit card to receive cash in advance
- (b) If your credit card balance is \$1,000 and you pay \$300 by the due date, interest is charged on the unpaid balance of \$700
- (c) The rate of interest on your credit card is normally higher than you can earn on a transaction account at the bank
- (d) All of the above

**(answer – d)**

11. Which is FALSE about credit cards?

- (a) You will not be charged interest if you pay your closing balance off in full on the due date.
- (b) Your credit limit is a reasonable guide to how much you can spend on your credit card
- (c) You can use your credit card overseas
- (d) Interest is charged on a cash advance from the day of withdrawal.

**(answer –b)**

12. You will improve your credit worthiness by

- (a) Having a history of paying off all debts on time in full
- (b) Visiting your local bank
- (c) Paying cash for all goods and services
- (d) Donating money to charity

**(answer – a)**



13. Joshua and Emosi are young men. Each has a good credit history. They work at the same company and earn approximately the same salary. Joshua has borrowed \$5,000 to buy a car. Emosi has borrowed \$5,000 to take an overseas vacation. Who is likely to pay the lowest interest rate?
- (a) They are both likely to pay the same because they have almost identical financial backgrounds
  - (b) Emosi is likely to pay less because people who travel overseas are better risks.
  - (c) Joshua is likely to pay less because the car is security for the loan
  - (d) They are both likely to pay the same because the rate is set by law.

**(answer – c)**

14. Under which of the following circumstances would it be financially beneficial to you to borrow money to buy something now and repay it with future income?
- (a) When you really need a two week holiday
  - (b) When some clothes you like go on sale
  - (c) When the interest on the loan is greater than the interest you get on your savings
  - (d) When you need to buy a car to get to a high paying job

**(answer – d)**

### **Mini case studies**

#### **Question One**

Arteca and Rupeni wish to purchase a new lounge suite. They have had the current one ever since they were married and think they deserve a new one.

They have priced several lounge suites and have found one that suits them. It will cost \$3,200.

The furniture store selling the suite has offered them two deals.

#### **DEAL ONE**

- Pay a 5% deposit and pay the rest off over 18 months. The monthly repayments would be \$188.95. The nominal interest rate would be 14.5% per annum and the total interest on this option is \$360.80. OR

#### **DEAL TWO**

- A discount for cash of \$300.

They do not have sufficient money available to buy the suite for cash but Rupeni has sufficient credit on his credit card to buy the suite to fund the balance. The furniture store will accept payment by credit card for the balance. Currently the interest rate on his card is 19.2% per annum.

The credit card option would allow him to spread the payments equally over the twelve months and make each payment on the last day of each month. The interest is calculated at the end of each month. Using this

method, the repayments on their credit card would be \$267.60 a month.

They wish to take the option that incurs the least amount of total interest.

#### Questions

- How much do they have to borrow using their credit card?
- Complete the table below.
- Calculate the total amount of interest if they pay \$300 and put the rest on credit card.
- Calculate the total amount of deposit and repayments for both DEAL ONE and DEAL TWO.
- What are the advantages and disadvantages of both DEAL ONE and DEAL TWO?
- What other factors might need to be considered prior to committing to regular repayments.
- If they decide they cannot afford the repayments in either option, what other alternatives could be available when considering replacing the lounge suite?

#### Answers

##### (a) Credit card deal

They will only need to borrow \$2900 (\$3200 - \$300) because they will be paying the “cash” price.

##### (b) Credit card repayment table.

	Borrowed	Interest at 1.6% per month	Total amount owing	Paid	Total amount owing at end of month
1	\$2900.00	\$46.40	\$2946.40	\$267.60	\$2678.80
2	\$2678.80	\$42.86	\$2721.66	\$267.60	\$2454.06
3	\$2454.06	\$39.26	\$2493.32	\$267.60	\$2225.72
4	\$2225.72	\$35.61	\$2261.33	\$267.60	\$1993.73
5	\$1993.73	\$31.90	\$2025.63	\$267.60	\$1758.03
6	\$1758.03	\$28.13	\$1786.16	\$267.60	\$1518.56
7	\$1518.56	\$24.30	\$1542.86	\$267.60	\$1275.26
8	\$1275.26	\$20.40	\$1295.66	\$267.60	\$1028.06
9	\$1028.06	\$16.45	\$1044.52	\$267.60	\$776.91
10	\$776.91	\$12.43	\$789.34	\$267.60	\$521.74
11	\$521.74	\$8.35	\$530.09	\$267.60	\$262.49
12	\$262.49	\$4.20	\$258.29	\$258.29	0
Total		\$310.29		\$3201.89	

##### (c) Interest using the credit card is \$310.29

**(d) DEAL ONE 5 % Deposit \$160 + 18 monthly repayments (\$188.95 x 18) \$3401.10.**

**Total = \$3561.10**

**DEAL TWO \$300 Deposit + 12 monthly repayments (11 x 267.60 + 1 x \$258.29) \$3201.89.**

**Total = \$3501.89**

**(e) Advantages      DEAL ONE – less up front deposit and smaller monthly repayments may place less strain on their budget**

**DEAL TWO – costs less in total, paid off more quickly.**

**Disadvantages      DEAL ONE – costs more in total and takes longer to pay off. Constrains spending for a longer time.**

**DEAL TWO – higher deposit and higher monthly repayments**

**(f) They may need to consider some other options such as:**

- **using savings to make a larger down payment,**
- **increasing mortgage borrowings**
- **finding a cheaper source of finance**
- **buying a cheaper lounge suite**
- **wait for a sale**
- **delay purchase until they can afford a bigger deposit**

**(g) Negotiating a different “deal” with the retailer, such as lay by.**

### **Question Two**

Litea has completed her tertiary education which is in hotel management. She has work at a local hotel and is saving up to go overseas to stay with her cousin. She has decided she needs to save up \$3,000. She also likes to keep up with the latest fashion.

Her credit card has a balance of \$1,500 and an interest rate of 18% per annum. She has been repaying the minimum required (5% of the outstanding balance) each month but is concerned about how slowly the outstanding balance is going down.

Occasionally she purchases new clothes and charges them to her credit card.

Questions:

- (a) Calculate for Litea the total interest costs, total payments made and outstanding balance at the end of month 6.
- (b) While making the minimum payments, Litea purchases an outfit for a special occasion for \$170 in month 3 and a pair of shoes for \$50 in month 4. Calculate the total interest costs, total payments made, and outstanding balance at end of month 6.
- (c) The hotel gave Litea a lot of overtime. She decided to pay \$463.68 per month off her credit card balance

of \$1,500. Assuming she still purchases the special outfit and the shoes, as before, what would be the total interest cost, total repayments made and outstanding balance at the end of month 4?

- (d) Rather than put the outfit and shoes on her credit card (and so increase the amount owing), suggest two alternative ways Litea could have managed these purchases.
- (e) Litea's friend suggested she should have made a cash withdrawal from her credit card to purchase the outfit and shoes. Is this a good idea or not? Why?

### Answers

(a)

Month	Amount borrowed	Interest cost per month at 1.5% per month	Total amount owing	Minimum monthly repayment	Total amount owing carried forward
Month 1	\$1500	\$22.50	\$1522.50	\$76.13	\$1446.37
Month 2	\$1446.37	\$21.70	\$1468.07	\$73.40	\$1394.67
Month 3	\$1394.67	\$20.92	\$1415.59	\$70.78	\$1344.81
Month 4	\$1344.81	\$20.17	\$1364.98	\$68.25	\$1296.73
Month 5	\$1296.73	\$19.45	\$1316.18	\$65.81	\$1250.37
Month 6	\$1250.37	\$18.76	\$1269.13	\$63.46	\$1205.67
		\$123.50		\$417.83	

Total interest = \$123.50, Total payments = \$417.83, Balance at month 6 outstanding = \$1205.67

(b)

Month	Amount borrowed	Amount added	Interest cost per month at 1.5% per month	Total amount owing	Minimum monthly repayment	Total amount owing carried forward
Month 1	\$1500	0	\$22.50	\$1522.50	\$76.13	\$1446.37
Month 2	\$1446.37	0	\$21.70	\$1468.07	\$73.40	\$1394.67
Month 3	\$1394.67	\$170.00	\$23.47	\$1588.14	\$79.41	\$1508.73
Month 4	\$1508.73	\$50.00	\$23.38	\$1582.11	\$79.11	\$1503.00
Month 5	\$1503.00	\$0.00	\$22.55	\$1525.55	\$76.28	\$1449.27
Month 6	\$1449.27	\$0.00	\$21.74	\$1471.01	\$73.55	\$1397.46
			\$135.34		\$457.88	

Answer must correctly include \$170 in month 3 and include \$50 in month 4.

Total interest cost = \$135.34, total payments = \$457.88, outstanding balance at month 6 = \$1397.46

(c)

Month	Amount borrowed	Amount added	Interest cost per month at 1.5% per month	Total amount owing	Monthly repayment	Total amount owing carried forward
Month 1	\$1500	\$0.00	\$22.50	\$1522.50	\$463.68	\$1058.82
Month 2	\$1058.82	\$0.00	\$15.88	\$1074.70	\$463.68	\$611.02
Month 3	\$611.02	\$170.00	\$11.72	\$792.74	\$463.68	\$329.06
Month 4	\$329.06	\$50.00	\$5.69	\$384.75	\$384.75	\$0.00
			\$55.79		\$1775.79	

Total interest cost = \$55.79, total payments = \$1775.79, balance at end of month 4 = \$0.

(d) Not buy the outfit and shoes, save up until she can pay cash, put them on layby and pay them off.

(e) Interest is charged from the date of any cash withdrawal so Litea would be not better off

### Question Three

Saten is a motor mechanic. He is a hard working employee and wants to go with his boss to the Gold Coast, Australia, to see the car racing week in November. His employer has told Saten he will subsidise his trip up to a maximum of \$200 as a reward for his hard work.

Saten has a credit card with an outstanding balance of \$350. He works out that his personal costs for this trip will be \$910.

Questions:

- If Saten doesn't pay off his credit card balance of \$350 and puts the cost of his trip on the card as well, how much would his credit card balance be?
- After returning from his trip, if he only paid the minimum amount off each month, how much would he still owe after six months. Show total interest cost and total of payments made.

### Answers

(a) \$1260 (\$350 + \$910).

(b)

Month	Amount borrowed on credit card	Interest cost per month at 1.5% per month	Total amount owing	Minimum monthly repayment	Total amount owing carried forward
1	1260.00	18.90	1278.90	63.95	1214.95
2	1214.95	18.22	1233.17	61.66	1171.51
3	1171.51	17.57	1189.08	59.45	1129.63
4	1129.63	16.94	1146.57	57.33	1089.25
5	1089.25	16.34	1105.59	55.28	1050.31
6	1050.31	15.75	1066.06	53.30	1012.76

Total interest cost = \$103.72, total payments made = \$350.97, outstanding balance at end of month 6 = \$1012.76

### Question Four

Sireli wants to buy a motorbike to use to get to work, as he works variable hours. He thinks the busses do not run frequently enough to suit his employment hours. He has seen a suitable bike for \$2,500. He believes that he could get a credit card and buy the bike on that and then pay the credit card off.

His bank advises him that he would be able to get a credit card with a credit limit of \$3,000 and an interest rate of 18% per annum. The credit card company advise that his minimum payments per month would be 5% of the total outstanding.

The motorbike retailer suggests to Sireli that, rather than use the credit card, he borrow the money from a financial institution. Sireli finds two companies offering loans. One is at 12% per annum where interest is compounded quarterly and the other is at 12.5% but the interest is compounded half yearly.

#### Questions

- If he goes ahead and buys the bike on a credit card, and makes the minimum payments at the end of each month, how much would he still owe on the card at the end of three months?
- How much interest, how much principal and how much in total would he have paid off in those three months?
- Explain the difference between simple and compound interest.
- Which loan would be better for Sireli is he had to choose one?
- If Sireli were to apply for either of these loans, outline four pieces of information the financial institution may wish to know about him (excluding his name, address and phone number).

## Answers

(a)

Outstanding credit card balance at start of month	Interest per month	Total owing	5% payment	Total amount owing carried forward
2500.00	37.50	2537.50	126.88	2410.62
2410.62	36.16	2446.78	122.34	2324.44
2324.44	34.87	2359.31	117.97	2241.34

(b) Interest paid = \$37.50 + \$36.16 + \$34.87 = \$108.53

Principal repaid = \$2500.00 – \$2241.45 = \$258.65

Total repaid = \$126.88 + \$122.34 + \$117.97 = 367.19

(c). Simple interest is calculated on the original investment. The dollar value of simple interest would be the same for each period.

Compound interest is calculated on the principal plus accumulated interest. The dollar value for compound interest would increase with each period.

(d) Sireli should choose the first loan as it is cheaper.

(12% compounding quarterly is an effective rate of 12.55% and 12.5% compounding half yearly is an effective rate of 12.89%)

(e) Purpose of the loan, his assets and liabilities, his weekly income and outgoings, his age and any other relevant factors relating to identification, ability to service the loan and security for the loan.

## Question Five

Nashika has a debt of \$3500 on her credit card. Her credit limit has been set at \$4,000. The current interest rate on the card is 19.5%.

She has difficulty in maintaining the minimum payments required. Two months ago she failed to make a repayment on time and was charged penalty interest rate. Once, last year, she made no payments at all for two months. She is concerned that if she cannot keep up with the payments she will get into trouble with the credit card company and her credit rating will be affected.

Questions:

(a) Explain the meaning of buying on “credit”.

(b) What is the difference between a “credit card” and a “debit card”?

- (c) What is her annual commitment for repayments?
- (d) Suggest two strategies that Nashika might use to reduce the burden of the credit card on her finances.
- (e) If Nashika paid \$200 at the end of each month for three months how much would she still owe at the end of those three months?
- (f) If Nashika decided to make a huge effort and pay back \$250 a month for three months, how much would she still owe at the end of those three months?
- (g) If Nashika were to try to get a small loan from the bank to pay off some of her credit card debt, give three items of information that the bank is likely to require and explain why the bank would need that information.
- (h) Nashika's friend puts all her weekly expenses on her credit card and pays the credit card balance on time. Give the two advantages and two disadvantages of doing this.
- (i) Describe what is meant by a "credit rating".

### Answers

(a) **Buying goods or services that you will pay for at a later date.**

(b) **A credit card allows the consumer to purchase goods without paying immediately. A debit card withdraws money from an account instantly.**

(c)  **$\$4000 \times 5\% \times 12 = \$2400$**

(d) **Refinance the credit card balance using a different loan with easier terms**

**Borrow from her parents to pay off the credit card and the repay parents at a more manageable rate**

**Borrow at a cheaper rate to pay off some of the debt**

**Sell some assets to reduce the debt**

**Earn more money to repay quicker**

**Repay more than the minimum amount**

(e)

Outstanding credit card balance at start of month	Interest per month (1.625%)	Total owing	Repayment	Total amount owing carried forward
\$3500	\$56.88	\$3556.88	\$200	\$3356.88
\$3356.88	\$54.55	\$3411.43	\$200	\$3211.43
\$3211.43	\$52.19	\$3263.62	\$200	\$3063.62



(f)

Outstanding credit card balance at start of month	Interest per month (1.625%)	Total owing	Repayment	Total amount owing carried forward
\$3500	\$56.88	\$3556.88	\$250	\$3306.88
\$3306.88	\$53.74	\$3360.62	\$250	\$3110.62
\$3110.62	\$50.55	\$3161.17	\$250	\$2911.17

(g) Examples would be

Personal details

Assets and liabilities

Disposable income

Assets

Details of guarantor

Reasons for information

For contact purposes

To calculate wealth

Ability to service loan

For security

Secure the loan by guarantee

(h)

Advantages	Disadvantages
Can get up to 55 days free credit	Needs good budgeting skills
Allows person to earn interest on cash until it is required to pay credit card thus reducing effective interest rate	May be duped into using the cash that should be set aside to pay the card off to pay for other expenditure.
	If payments are not made on time then pay high interest

(i) A credit rating is an evaluation of the likelihood that a borrower will not pay back the loan. The credit rating is often used to determine a person's credit worthiness and is sometimes referred to as a credit score.

### Question Six

Lusi is considering borrowing some money from a bank for a large purchase. She is considering two different loans from two different banks. Both loans are for \$5,000.

One loan requires her to repay it in 3 years. The Interest rate is 7.5%.

The other loan requires repayment in 5 years and the interest rate is 7.0%.

The details of two loans are below.

Questions:

- Calculate the interest that would be paid on **each** loan.
- Give **two** reasons why you would recommend to Lusi one loan over the other.

#### Bank Loans for Lusi

Bank	Loan amount	Interest rate	Term	Annual repayments
Bank 1	\$5000.00	7.5% compounded annually	3 years	\$1922
Bank 2	\$5000.00	7.0% compounded annually	5 years	\$1219

(a)

	Answer	Workings
Total Loan 1 instalments	= \$5766	3 x \$1922
Total Interest component	= \$766	5766 – 5000

	Answer	Workings
Total Loan 2 instalments	= \$6095	5 x \$1219
Total Interest component	= \$1095	6095 – 5000

**(b) Loan 1 is paid off sooner thus allowing funds to be channelled elsewhere**

**Loan 1 is cheaper overall as less interest is paid**

**Loan 2 has lower instalments so this may be useful where cash is short**

**Loan 2 has a lower nominal interest rate but this is offset by higher overall interest payments**

### **Question Seven**

Aisea believes that it is important to use credit wisely. He says ‘Credit is like fire – a good servant but a bad master’.

He pays for all his expenses in a month on his credit card. When he gets his credit card statement he pays the card off in full. Aisea says this system gives him free credit that he would not otherwise get.

His friend, Jacob, wants to buy a new laptop computer that retails at \$1200.

The retailer advises three options he could take to purchase the computer:

- He could get a 5% discount if he bought the computer for cash.
- He could buy the laptop on hire purchase. The HP contract offered is over 36 months; the interest rate is 15% p.a. on the reducing balance; there is a \$50 initial administration fee that can be included with the purchase price; the computer would have to be insured during the term of the agreement.
- He can open a store credit account. This would cost \$25 to open; a minimum of 5% of the outstanding balance would need to be paid each month; interest on any outstanding balance would be at 19% p.a. calculated monthly.

Questions.

- Explain what Aisea means by saying “Credit is like fire – a good servant but a bad master”.
- Explain **two** advantages and **two** disadvantages of having a credit card.
- Outline the benefits and drawbacks for Jacob of the cash and credit options for paying for the computer.
- Advise Jacob what option to take if he wants to establish a good credit history.

**(a) Credit has good and bad aspects and it needs to be managed wisely and monitored. Credit provides benefits in that it can help you make purchases by using someone else’s money, which must be repaid. Interest is the cost of credit.**

**On the other hand, as there is an obligation to repay money borrowed, if you borrow more than you can afford or manage to comfortably repay, credit can control you.**

**(b) Advantages**

- In effect all his purchases are on free credit (up to 55 days)
- He only has to deal with one statement at month end
- All his purchases are categorized for him by the credit card company
- Only has to make one payment a month so can invest free cash during the month
- Knows when his monthly payments will be

**Disadvantages**

- If he misses a payment he will pay interest
- May be difficult to manage cash as appears to have money in the bank when increasing his liability with credit card company
- Credit card interest rates are very high.

**(c)**

	Benefits	Drawbacks
Cash payment	<ul style="list-style-type: none"> <li>• Save \$60</li> <li>• Immediate ownership</li> </ul>	<ul style="list-style-type: none"> <li>• May not have cash price</li> <li>• Money could be used elsewhere</li> </ul>
Hire purchase/Store credit account	<ul style="list-style-type: none"> <li>• Do not have to invest full \$1200 immediately</li> <li>• If money was available could invest it elsewhere</li> <li>• Immediate access (but not ownership)</li> <li>• Don't have to pay full price up front</li> </ul>	<ul style="list-style-type: none"> <li>• High interest rate</li> <li>• Additional costs</li> <li>• Ownership not immediate</li> <li>• Would have to pay HP even if laptop sold</li> <li>• May be technically superseded by the time it was paid off</li> </ul>

- (d) He should buy the laptop using Hire Purchase or Store Credit, but he should pay off the Agreement more quickly.**

### Question Eight

Tomu bought his motorbike for \$1500, second hand, from a dealer. Because he did not have all the money at the time he used his credit card to help pay for the bike.

He paid \$500 in cash and put the remaining \$1,000 on the card. He has to pay a minimum of 5% of the total debt outstanding each month. The interest rate on the card is 19.5% and is calculated on the outstanding balance at the end of the month before any repayments are made.

Tomu tells Jope he will pay the debt off in 20 months ( $20 \times 5\% = 100\%$ ) if he pays the minimum 5% per month of the debt.

Tomu has been offered a “low interest” credit card from another bank.

The offer is:

- The interest rate is 13% p.a.
- The balance of his existing card can be transferred over to the new card and interest on this balance will be at 6% p.a. for 3 months after which it will revert to 13% p.a.
- All new purchases on the card will be at 13% p.a.
- All other conditions on the new card are the same as the old card.

Tomu thinks this is a good offer and because he will be paying less interest intends buying a new set of tyres for his bike at the end of the second month on the new credit card. The tyres will cost \$150.

#### Questions

- Explain if Tomu is correct about the repayment time of 20 months.
- Calculate how much interest Tomu will incur on this purchase during the first three months, assuming he pays the minimum 5% of the debt at the end of each month.
- How much will Tomu have repaid in three months?
- How much will he have paid off the debt in three months?
- Calculate how much Tomu will owe at the end of the next three months if he swaps cards.

**(a) No he is not correct because interest is also being charged. Unless Tomu pays the interest AND 5% of the original debt he will not pay back the debt in 20 months.**

**(b) Card with 19.5% interest**

Month	Outstanding debt	Interest calculated (19.5% p.a.)	Total outstanding	Repayments (5%)	Month end debt
1	1000.00	16.25	1016.25	50.81	965.44
2	965.44	15.69	981.13	49.06	932.07
3	932.07	15.15	947.22	47.36	899.86
Total		47.09		147.23	

Allow for slight variations in the cents due to rounding differences.

**(c) \$147.23**

**(d) \$1,000.00 - \$899.86 = \$100.14 (allow for slight variations in the cents due to rounding differences.)**

**(e) Card at 6% and 13% interest.**

Column	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Month	Outstanding debt	Interest calculated (6.00% p.a.)	Total (columns a+b)	New purchase month 3	Interest on new purchase (13% p.a.)	Repayments (5% p.a.) (columns c+d+e)	Total outstanding
1	899.86	4.50	904.36			45.22	859.14
2	859.14	4.30	863.44			43.17	820.27
3	820.27	4.10	824.37	150.00	1.63	48.80	927.20

Allow for slight variations in the cents due to rounding differences.

**Question Nine**

Tina and Delana live at home with their parents. Delana works at a sports store and part time at a local gym. He is a keen rugby player and went to New Zealand to watch the Fiji team at the Rugby World Cup. Although he saved for his fare, he put all his accommodation, food and entertainment costs on his credit card. His credit card balance is now \$4,000 and is charged at 19.5% interest. Minimum monthly repayments are 5% of the outstanding balance, which he always pays on time. However, he is concerned at how slowly the outstanding balance is reducing.

His job at the local gym requires him to buy some specialist sports clothing, so he would like to put another \$800 on his credit card.

Tina is at University and is saving to buy her own laptop. The model she wants was recently advertised for

\$1,999 (reduced from \$2,499) and has a number of features she wants and an excellent broadband deal.

She could buy it on hire purchase with no deposit and \$30.45 weekly for 18 months.

She found that some banks offered low interest credit cards (rate 13% per annum) but they did have higher account fees (\$15 per quarter) than other credit cards. She already has an existing credit card which charges 20.95% per annum.

Her brother, Delana, is concerned at how slowly the outstanding balance of his credit card is reducing.

Questions:

- (a) If Delana buys the designer sports clothes he has his eye on with his credit card and makes minimum repayments of 5% of the outstanding balance at the end of each month, how much would he owe on the card at the end of three months?
- (b) How much interest, principal and total would he have paid in those three months?
- (c) One evening, he was thinking about his finances and asked his sister what is "credit" in the term "credit card".
- (d) He wanted to know what the cost of using someone else's money was called and why he should pay that cost.
- (e) Tina asked him why did Delana think credit was convenient.
- (f) What did Tina think Delana should do to reduce his credit card debt more quickly?
- (g) If Tina purchased her laptop computer on hire purchase, how much would it cost her?
- (h) How much would she pay over the cash price?
- (i) Name two possible advantages of buying the computer on hire purchase.
- (j) If Tina decided to get a low interest rate credit card from the local bank, using the table below, calculate how much interest Tina would pay on the purchase of her laptop during the first three months. Assume she pays the minimum 5% of the debt at the end of each month. (The interest rate is 13% per annum and there is an account fee of \$15 per quarter payable in arrears.
- (k) How much will Tina has repaid in three months time?
- (l) How much will she have paid off the debt in three months?
- (m) Give two reasons why Tina did not want to put the new laptop on her existing credit card.

(a) Delana's credit card repayments for three months.

Month	Borrow (outstanding credit card balance) \$	Interest 19.5% per annum (1.625% per month)	Total owing \$	5% payment	Total borrowed next month \$
1	\$5300.00	\$86.13	\$5386.13	\$269.31	\$5116.82
2	\$5116.82	\$83.15	\$5199.97	\$260.00	\$4939.97
3	\$4939.97	\$80.27	\$5020.24	\$251.01	\$4769.23

(b) How much interest, principal and total would he have paid in those three months?

Interest paid = \$249.55

Principal paid = \$530.77 (\$780.32 minus \$249.55)

Total paid = \$780.32

(c) Credit is the power to obtain goods and services with an obligation on the borrower of future payment to the source of credit.

(d) The cost of using someone else's money is called interest.

You must pay interest to the person you borrow from plus any other financial charges to get the finance/money in addition to repaying the loan.

(e) Delana thought that credit can be convenient because it gives people the opportunity for the immediate use of goods.

(f) Tina thought that Delana should pay more than the minimum amount off each month, make payments as often as possible (don't wait until due date) and put nothing extra on his credit card to reduce his credit card debt more quickly.

(g) Tina would pay  $\$30.45 \times 78 \text{ weeks} = \$2375.10$ .

(h) Over and above the cash price she would be paying  $\$2375.10 - \$1999.00 = \$376.10$ .

(i) Two possible advantages of buying the computer on hire purchase

- Don't have to outlay \$1999 all at once
- If she pays regularly each week she will build up a good credit record
- Gets to have the computer immediately



**(j) Tina's credit card for three months**

Month	Debt	Fees	Interest calculated (13% p.a.)	Total outstanding	Repayments (5%)	Month end debt
1	\$1999.00		21.66	2020.66	101.03	1919.63
2	\$1919.63		20.80	1940.43	97.02	1843.41
3	\$1843.41	\$15	20.13	1878.54	93.93	1784.61
Total			\$62.59		291.98	

**(k) \$291.98**

**(l) In three months, she will have paid off \$214.39**

Original debt = 1999.00

Debt at end of 3 months      \$1784.61

\$214.39

**(m) Tina did not want to put the new laptop on her existing credit card because:**

- Interest rate was 20.95%. Wouldn't be able to pay outstanding balance each month.
- Wanted to keep large items off the credit card so she could still take advantage of "interest free" days offered.
- Limit may not have been high enough or any other reasonable answer

**Question Ten**

Ponipate has decided to take out a loan of \$20,000 to enable him to make some renovations on his house. He looked at a number of options.

1. He finds out he could get a personal loan for 5 years at 12% interest. The monthly payments of principal and interest will be \$444.89 per month.
2. He also considered affording payments of more than \$444.89 per month and taking the loan out for 4 years (monthly principal and interest payment \$526.68) or 3 years (monthly principal and interest payment \$664.29).
3. Ponipate also looked at a flexible financing account or "revolving credit" account where he can pay interest only if he chooses that option and can also make lump sum principal repayments when it suits him. The interest rate was 14% per annum.

Questions:

- (a) How much will he repay in total over the 5 years for the first loan?
- (b) How much would he repay in total if he took a four year loan?

- (c) How much would he repay in total if he took a three year loan?
- (d) Why or why not might Ponipate consider the revolving credit option to borrow the \$20,000 for his renovations? Give two reasons for taking the revolving credit option and two reasons against this option.

(a) How much will he repay in total over the 5 years?

$$60 \times \$444.89 = \$26693.40$$

(b) 4 years  $48 \times \$526.68 = \$25280.64$

(c) 3 years  $36 \times \$664.29 = \$23914.44$

(d) Reasons for: could pay lump sums at any time and so interest would be less. If she is short of money, only needs to pay interest and no principal some months.

Reasons against: Higher rate of interest. No necessity to pay off principal. Could be tempted to borrow any principal previously paid off

### Question Eleven

What is credit and types of credit?

(a) Define credit

Credit is borrowing money or buying goods and paying for them later. It is the power to obtain goods and services with an obligation on the borrower of future payment to the lender (the course of credit).

(b) Why should borrowing money incur interest to the borrower and earn interest for the lender?

Interest is a charge that is paid by the borrower for the use of someone else's money. A lender expects to be rewarded for not having access to his money.

(c) For the following different types of credit, match the lender, the likely purpose of the credit, potential fees and interest rates to the type of credit.

Type	Lender	Purpose	Fees	Interest rates
Bank loan	Retail Bank	Emergency items Funeral, temporary shortfall in income to pay expenses	Annual fee Joint card holder fee	Usually 22 – 26% but can be very high if a very short term loan.
Third tier lender loan	Retail Bank	Small items such as a car, household items	Set up fee	Depend on lender's policy Range 12 – 20%?
Hire purchase	Pay day lenders	Any items, either	Combination of Set	Standard cards vary

		goods or services	up fees Establishment fees Insurance?	between 12 – 21%
Credit card	Retail store	Retail goods, such as computers, whiteware, household goods	Set up fee Insurance often compulsory	May have interest free deals, but interest rates will vary a lot

### Answers:

Type	Lender	Purpose	Fees	Interest rates
Bank loan	Retail Bank	Small items such as a car, household items	Set up fee	Depend on bank policy 12 – 20%?
Third tier lender loan	Pay day lenders	Emergency items Funeral, temporary shortfall in income to pay expenses	Combination of Set up fees Establishment fees Insurance?	Usually 22 – 26% but can be very high if a very short term loan.
Hire purchase	Retail store	Retail goods, such as computers, whiteware, household goods	Set up fee Insurance may be compulsory	May have interest free deals, but interest rates will vary a lot
Credit card	Retail Bank	Any items	Annual fee Joint card holder fee	Standard cards very between 12 – 21%

## Question Twelve

### Borrowing from a Money Lender

The Waqa family wanted a sum of money in a hurry to pay for a temporary shortfall to contribute to funeral costs.

They were expecting some remittance money to arrive in a few days from their family overseas to help with these costs.

**Borrowing details:**

Borrowing term	14 days 2/1/2013 – 16/1/2013
Amount borrowed	\$260.00

They were charged interest at 20% on the total amount (\$260).

The interest charged for the fourteen days was \$52 in total.

That works out to be \$3.71 (rounded) interest per day ( $\$52 \div 14$ ).

Unfortunately the money did not arrive from overseas and they were now in a situation where they could not afford to repay the loan.

The lender now charged further interest on the unpaid loan.

Ten fortnights after taking out the loan, (22/5/2013), this is the situation the family was in:

Original loan owed	\$260.00		
Interest payable			
Fortnight	Ending	Working	Interest
Fortnight One	16/1/2013	<b>\$260 x 20%</b>	<b>\$52</b>
Fortnight Two	30/1/2013	<b>\$312 x 20%</b>	<b>\$62.40</b>
Fortnight Three	13/2/2013	<b>\$374.40 x 20%</b>	<b>\$74.88</b>
Fortnight Four	27/2/2013	<b>\$449.28 x 20%</b>	<b>\$89.86</b>
Fortnight Five	13/3/2013	<b>\$539.14 x 20%</b>	<b>\$107.83</b>
Fortnight Six	27/3/2013	<b>\$646.97 x 20%</b>	<b>\$129.39</b>
Fortnight Seven	10/4/2013	<b>\$776.36 x 20%</b>	<b>\$155.27</b>
Fortnight Eight	24/4/2013	<b>\$931.63 x 20%</b>	<b>\$186.33</b>
Fortnight Nine	8/5/2013	<b>\$1117.96 x 20%</b>	<b>\$223.59</b>
Fortnight Ten	22/5/2013	<b>\$1341.55 x 20%</b>	<b>\$268.31</b>

### Questions

- How much was initially borrowed in total?
- How much was the total interest for the term of the loan (fourteen days)?
- Why did the interest increase every fortnight?
- By May 22, how much did they owe the Money lender?
- How many times the original amount of the loan the family wanted (\$260) were they required to repay by May 22 (at the end of ten fortnights)?
- What decision would you make about this use of credit if you were in this situation?
- Explain the long term implications of these credit arrangements, getting into debt and possible consequences.
- How else could the family have accessed the money they needed?
- Compare the financial and non-financial implications of borrowing this money.
- Write a letter to the Waqa family, explaining the importance of a good credit history.
- What are the dangers of easy access to credit?
- Find out and explain the rights and responsibilities of the credit user.
- Find out and explain the rights and responsibilities of the person/organization issuing the credit.
- What is the difference between credit, debt and income?

## Answers

- (a) \$260
- (b) \$52
- (c) The interest increased every fortnight because the family was paying interest on interest.
- (d) \$1,349.86 interest and \$260 in principal. Total \$1609.86
- (e) 5.19 times the amount of the original amount borrowed.
- (f) Student answers – suggest - decide to contribute only the amount that they have sufficient cash for.
- (g) The long term implications are that the amount to be repaid increases rapidly, and it becomes a trap which it is very hard to get out of. Possible consequences are that some family items will have to be sold to pay the debt. It is possible that the family will now have a poor credit record and a poor credit history making it difficult to borrow from some other organisation.
- (h) They could have sold a possession rather than borrowed the money, or they could have approached a bank for a bank loan or paid for the costs on a credit card.
- (i) The financial implications of this situation is that the family will lose some of their possessions to pay the lender. These would be worth more than if they had sold some possessions at the start. The non-financial implication is that they will save face by contributing to the funeral costs but will lose face by having to sell possessions to fund the debt.
- (j) Student determined answer.
- (k) Dangers of easy access to credit. Third tier lenders (such as these) tend to offer a friendly, personal service, putting borrowers at ease and making them feel comfortable about asking for credit. The lender may also provide the borrower more credit than asked for, or use a “valued customer” approach to encourage them to return. Lenders of this nature often maintain persistent contact with borrowers who turn down offers of additional credit. For the borrower, it is important that they realize the legality of the contract and take the repayment seriously. They also often do not realize the very high interest rates being charged. IT is made to feel like a good experience, when it should be viewed as a very serious relationship with severe consequences should the borrower default on the loan.
- (l) Rights and responsibilities of a credit user.  
 Rights - To be fully informed about the conditions of a credit contract, including the interest rates, which should be presented in common and comparable terms. In general, consumer laws protect you when you have a problem with a credit card or loan contract.  
 Responsibilities - A credit contract is a serious obligation and signing a credit contract is a promise to pay. Failure to live up to the contract terms can tarnish your credit history and close doors to future credit opportunities. Consumers must live up to the agreement and complete the credit terms. Be honest and accurate when applying for a loan. Consumers must pay their bills on time and protect themselves by resolving problems as they arise. Don't sign if you can't pay.
- (m) Rights and responsibilities of credit issuers.  
 Rights – To be paid on time as per the contract.  
 Responsibilities - Have processes and procedures in place to provide constructive responses to financial hardship. These include procedures to identify customers in hardship, to provide clear and timely information to customers on their right to seek relief and to engage sufficiently with a customer's circumstances in order to provide appropriate and flexible assistance.
- (n) Credit is the ability to get goods and services now with an obligation to pay the amount borrowed, together with any agreed costs, in the future.  
 Debt is the money that is owed to other people or organizations. The money owed is not yours.  
 Income is money you earn from work or other sources. This money is yours.

### ***Question Thirteen - Credit report***

#### **Your credit report**

How good you are at paying your debts will be reported on your credit report. There are some common features on a credit report but what a credit report contains can vary from country to country.

In general, a credit report is likely to contain information about the way you manage debt, your bill payment patterns, information about you, and whether or not you have defaulted on a loan.

Personal data, such as your name and its variations, your current and past addresses, and your place of employment, are included. Variations on your name may appear, because businesses may make enquires about you without being certain about how to spell your name or be aware of your full name. An error in your name could be a sign of identity theft.

A credit report most often has detailed information about your credit cards and loans. There can be information on your credit card balance, your credit limit, account type, account status, and payment history. Information on different sorts of loans including loan balances, the original loan amount, payment history, and types of loans can all be listed on your credit report.

A range of information about your debt management appears on your credit report. Your recent credit and loan applications are also likely to be recorded and stay on your credit report for possibly twenty-four months. A credit report also includes a list of businesses who have enquired about your credit record. If an unpaid debt has been sent to a collection agency that will also appear on the credit report. Any debt collection proceedings that have gone through the legal system, such as a mortgagee sale, repossession or a bankruptcy, may appear on your credit report for several years.

It is a good idea to ask to see your credit report. You are entitled to ask credit reporting agencies for a copy of the information they hold about you. Access to your credit report is not available to just anyone. Those who access your credit information will usually be credit providers, e.g. providers of hire purchase or credit cards, who are considering your application for credit. Fortunately, providers can only access your credit report with your consent. In addition, if you believe that you have been the victim of fraud, including identity fraud, you can ask a credit report agency to not allow your credit report information to be available for a couple of weeks. If you ask for your credit report information, the credit report agency should provide the information to you without too much delay. If you think that the information is incorrect, you can dispute inaccurate information with the credit reporting agency.

A credit report can be a lengthy document, and knowing what is likely to appear on it makes it easier to understand.

### Questions

- (a) Explain the meaning of the following terms - credit report, debt, bill payment patterns, defaulted, identity theft, payment history, credit record, debt collection proceedings, repossession, victim of fraud, access.
- (b) Explain the purpose of a credit report.
- (c) Why would it be important to establish a good credit history?
- (d) Identify ways that a negative credit report can affect a consumer's financial future.
- (e) Identify borrowers' credit report rights.
- (f) Describe ways to avoid or correct credit problems.
- (g) Identify any credit advice agency that operates in Fiji. If you are not aware of any, research available credit advice agencies in another country.

### Answers

- (a) **Credit report – a document that contains important information about your history for making payments, how you manage debt and personal data.**
  - debt – money that is owed**
  - bill payment patterns – a series of actions showing how you normally pay your bills**
  - defaulted – failed to perform a task or action (in this case failed to meet your financial obligations)**
  - identity theft – crime of using someone else's personal information, for example stealing information about someone that makes it possible to use their bank account or credit card**
  - payment history – past activity for making payments**
  - credit record – history of receiving goods from a shop or money from a bank and paying for it later**
  - debt collection proceedings – measures taken to get money from people who owe it**
  - repossession – taking back items from the holder (in this case that have not been fully paid for)**
  - victim of fraud – a person who has suffered as a result of the action of a person who has obtained money from them by trickery**
  - access – right to use or look at**
- (b) **A credit report is designed to provide credit information to people and organisation about people who are applying for credit.**
- (c) **It is important to establish a good credit history so that future applications for credit are viewed favourably.**
- (d) **A negative credit report can make it difficult for a person to borrow in the future.**
- (e) **Credit report rights – you can request a copy of your credit report so that you know what it contains, and that the information is correct. If you think it is incorrect, you should notify the credit reporting agency, and if you think identity fraud has been committed. you should notify the police.**
- (f) **Avoid credit problems by always paying the full amount required at the correct time. If you are in difficulties, let the lender know as soon as possible so that a repayment plan can be worked out.**
- (g) **Credit advice agency – Consumer Council of Fiji?**

### Question Fourteen - Aren't all cards the same?

#### Research investigation

Students compare and contrast a debit card, a credit card and a charge card.

(a) Describe and give an example of each of these types of cards.

- **Debit card** – carries a bank logo and maybe a Visa/Mastercard logo
- **Credit card** – carries a bank logo and a Visa/Mastercard logo
- **Charge card** – Diners Club International, American Express
- **Debit card** – also known as a cheque card, a debit card works like an instant cheque. When a debit card is used, the money is taken immediately from your account to pay the supplier. It allows the holder electronic access to his/her bank account at a financial institution. An alternative to cash.
- **A credit card** allows you to pay for the things you have bought at a later date.
- **A charge card** also allows you to pay for the things you have bought at a later date.

	Debit card	Credit card	Charge card
<b>When do you pay for an item?</b>	Money is immediately transferred from your bank account to the supplier's bank account	You get a number of days free credit. Payment of a credit card balance is usually on the same date each month.	You get a number of days free credit. Payment of a credit card balance is usually on the same date each month.
<b>Payment in full?</b>	Yes	Not necessarily. Credit cards require a minimum payment (2 – 5% of the final balance owing is common). It is an example of revolving credit. No late fee is charged so long as the minimum payment is made.	Yes.
<b>Interest charged?</b>	No, as items are not bought on credit. Payment is immediate.	If the final balance is not paid in full by the due date, interest is charged.	If not paid on time, severe late fees and penalties (e.g. restrictions on card use) are charged.



	Debit card	Credit card	Charge card
<b>Spending limit</b>	Spending is limited to the amount in your bank account	The credit card company will set your spending limit, and may often review it upwards if you are a good payer.	No spending limit.
<b>Geographic area of use</b>	Generally country specific (i.e. only in the country of issue). However, this is changing.	Can be used internationally wherever the Visa or Mastercard sign is displayed on a retailer's machine, internet sites or ATMs.	Can be used internationally at retail outlets or internet sites.
<b>Cash withdrawal</b>	Yes, at an ATM or your bank.	Yes	No

(b) What is the key difference between a debit card and a credit card?

**When you use a debit card, you are using money earned yesterday to pay for something today.**

**When you use a credit card, you are using money you will earn tomorrow to pay for something today.**

## 4.4 Assessment for Economics Learning Outcomes - Form Five

### Business and the Accounting System (Course content Section 5.9)

#### Income decisions

- (a) Identify and evaluate alternative forms of income.
- (b) Identify one's own income potential.
- (c) Identify a career goal and develop a plan and timetable for achieving it, including education/training requirements, costs and possible debt.
- (d) Make an informed decision relating to personal income, in the context of a life stage or a life event.
- (e) Identify the impact of changes in income.
- (f) Evaluate consequences of a decision relating to personal income.

#### Assessment examples

##### Multi choice questions

1. Which of the following best describes the most likely main source of income for those aged 15 – 35?
  - (a) Salaries and wages
  - (b) Dividends and interest
  - (c) Rents
  - (d) Profits from business

**(Answer – a)**
2. A person who is over sixty-five is likely to get most of their income from?
  - (a) Rent from property
  - (b) Salaries and wages
  - (c) FNPf plus some investment income
  - (d) Business profits

**(Answer – c)**
3. Retirement income received from a company is called?
  - (a) Social security
  - (b) Private superannuation
  - (c) FNPf
  - (d) A pension

**(Answer – b)**

4. Which of the following is not likely to make Amira's finances harder to manage?

- (a) Marriage
- (b) A new baby
- (c) A long-term illness
- (d) Divorce

**(Answer – a)**

5. Manish and Nilesh are employed by the same company and earn the same pay. Nilesh spends his free time taking work-related classes to improve his computer skills, while Manish spends his free time socializing with his friends and going to movies. After five years, which is likely to be more true?

- (a) Nilesh will earn more money because he is more valuable to his company
- (b) Nilesh and Manish will continue to earn the same amount of money
- (c) Manish will earn more because he is more sociable
- (d) Manish will earn more because Nilesh is likely to be made redundant

**(Answer – a)**

6. If you went to University and earned a Bachelor's degree, how much more money would you expect to earn on average compared with leaving school with a Fiji School Leaving Certificate?

- (a) No more – I would earn about the same income
- (b) A little more – about 10% more
- (c) A lot more – about 60% more
- (d) About 10 times as much

**(Answer – c)**

7. Many people have some money put aside in case anything adverse happens. The amount that is recommended that most people should have put aside is?

- (a) \$50 – after all, if anything bad happens, the government will provide
- (b) The equivalent of three month's income
- (c) Nothing, as nothing will happen to me – I'm bullet proof
- (d) \$20,000

**(Answer – b)**

8. Kai worked his way through a tertiary institute earning \$5000 a year. After graduation, his first job pays \$16000 per year. The total dollar amount Kai will have to pay in income taxes in his new job will

- (a) Be lower than when he was at tertiary
- (b) Stay the same as when he was at tertiary
- (c) Go up a little from when he was at tertiary
- (d) Increase a lot from when he was at tertiary.

**(Answer – c)**

## **Mini case studies**

### **Question One**

#### **Marina and Samuela Moce**

Marina works full time at the local area council offices as a clerical officer. She earns a salary of \$15,000 a year. Her husband, Samuela, is a shift supervisor and usually works nights at a furniture assembly plant. He is paid \$700 a fortnight. They have a car borrowed to buy, for which the repayments are \$87 a week. They also have a mortgage on their house of \$75 a week. The mortgage will run for another 15 years before the house is paid off. They have three teenage children.

Questions:

- (a) Identify two features associated with relying on two incomes for the family budget.
- (b) Explain one risk associated with each of these features.
- (c) Suggest two changed circumstances this family might encounter.
- (d) For each circumstance, identify the impact of the change, and
- (e) A possible solution or adjustment that could be made.

#### **Answers:**

- (a) **Feature: The family may tend to lead a lifestyle provided by two incomes.**
- (b) **Risk: One of the parents may lose his/her job and the family is suddenly reduced to one income.**
- (a) **Feature: The higher income may allow a more relaxed attitude to keeping a tight rein on spending and a less careful attitude to monitoring the family budget.**
- (b) **Risk: It may encourage an increase in credit or other commitments e.g. larger than usual mortgage or an increase in spending on the credit card.**

**Any other reasonable alternatives.**

#### **Examples of changes**

##### **Example one**

- (c) **Changed circumstance – A parent loses his or her job.**
- (d) **Impact – Income can become severely restricted.**
- (e) **Solution – Reduce some living costs, renegotiate mortgage repayments, reduce expenses such as insurance and take a risk of loss, reduce household, clothing expenses.**

##### **Example two**

- (c) **Changed circumstance –Samuela picks up regular overtime**
- (d) **Impact – Income increases but less time is spent with the family**
- (e) **Adjustment – Increase payments on car or house to reduce interest costs in the long term, save additional income for the future e.g. children's education, retirement.**

### Example three

- (c) **Changed circumstance – Samuela becomes sick and is unable to work for a period of time.**
- (d) **Impact – Income will drop but perhaps may only be in the short term**
- (e) **Solution – Depending on Samuela's terms of employment, he may get some sick pay for some of the period. If this is the case, the impact will be reduced. He may have taken out insurance against loss of income in which case the impact will be reduced.**

### Question Two

#### Liliana and Elik

Liliana and Elik both do well at school and plan to become teachers. Elik goes straight to University, borrows money to do so, and after three years starts teaching. However, Liliana does not want to borrow a lot of money to do her tertiary studies so she has a "gap" year, working in a shop. She aims to save some money so that she has to borrow less for studying. She then completes her University degree after three years and becomes a teacher.

Question:

After four years teaching, which of the two is likely to be better off? Explain your reasons for your choice.

#### Answer

**Award any reasonable answer. Liliana is likely to have a smaller student loan than Elik, if she saved her income from her gap year. But without further information, you cannot tell if she has a smaller loan than Elik. Elik may have a larger loan but he has the advantage of having worked for a year longer in a higher paid job than Liliana did in her gap year. Provided he is paying off his loan with his teaching salary, it is likely that he is better off. On a year by year basis, he has had four years on a teaching salary, which is likely to be higher than three years on a teaching salary and a year's school leaver's income in a retail shop.**

## Short answer styled questions

### Question Three

(a) What does the term 'income' mean to you?

#### Possible answers

- **Income is the money you get paid for the work you do.**
- **Money earned through employment and investments.**
- **Money earned through owning particular assets, e.g. shares.**

(b) Why do we need an income?

#### Possible answer

**To be rewarded for the work we do and to pay for goods and services.**

(c) Use the internet, newspaper, magazines and other resource materials to identify various sources and examples of income.

Present your findings.

#### Suggested answers

**Working, self employed, investment properties, wages, interest, FNPf superannuation, commission, royalties, fees, dividends, etc.**

### There are two types of income

**Earned income** - is the sum of all wages, salaries, profits, commission, fees and other forms of earning received from work, in a given period of time.

**Unearned income** - refers to income that is not a salary or a wage. It includes Government benefits (such as the unemployment benefit), interest, dividends or capital gains from investments, rent from land or property ownership and any other form of income that does not derive from work.

Initially, for most people, income is money paid for the work we do. These are our wages or salary.

However, sources of income and financial decisions will change throughout life. If, for example, you are about to finish school and go on to study, then you are likely to be making different financial decisions and have a different source of income compared with those who are about to finish work and head into retirement. Whatever life stage you are at, you will need to plan and have an income to achieve your goals.

### Question Four

#### Income decisions and expectations

(a) What's an income decision and what is not?

Classify the following decisions for their primary purpose.

Decision	Debt reduction	Savings	Income
Save \$10 a week		✓	
Pay off your credit card in six months	✓		
Save for a car		✓	
Pay off your mortgage in 15 years instead of 25	✓		
Increase your income by \$2,500 in the next year			✓
Earn 70% of your pre-retirement income p.a. when you retire.			✓
Improve your ability to earn future income			✓
Get better control over your spending to help you pay off debt	✓		
Protect your income and assets you already have			✓
Get started on a regular long term savings plan		✓	

(b) My expectations of income sources over my life cycle:

#### Suggestions

Lifecycle stage	Source
Teenager	Part time job/pocket money
20 - 25 years	Part time while studying
25 – 35 years	Full time job
35 – 50 years	Full time job/Self employed
50 – 65 years	Full/Part time – early retirement
65 +	Retirement

(c) What might a typical total household income be made up of?

**Examples may include: wages, salary, interest on savings, returns on investments**

(d) Describe how your household would survive without having an income to satisfy your needs and wants.

#### Examples:

- Would have to cut back on spending as the basic needs (food/shelter) would come first.
- Would need to rely on savings, remittance money or extended family.

## Reflection

What kind of income and lifestyle would you like to have?

**Ask students to discuss with peers in groups or pairs.**

---

## Question Five

### Sources of earned income

Give two occupation examples for the following sources of earned income –

#### (a) Wages

The amount of money or its equivalent received during a period of time in exchange for labour or services, calculated on an hourly basis.

Examples:

**A person who is “temping” i.e. a temporary worker, shop assistant, IT contractor.**

---

#### (b) Salary

Salary is a payment for work calculated on a yearly basis and is not related to the number of hours worked. A salary is received on a regular basis, usually weekly, fortnightly or monthly. Sometimes the term is used to include other benefits.

Examples:

**Office manager, teacher, public servant.**

---

#### (c) Reflection

Why do people doing the same jobs often earn different wages or salary?

**Any acceptable answer.**

---

#### (d) Fees

A fee is the price one gives as payment for services. Who earns fees?

Examples:

**Examiner, architect, self employed plumber.**

---

#### (e) Commission

A fee for services undertaken based on a percentage of an amount received, or percentage of the value of goods sold, or collected or agreed to be paid (as distinguished from a salary). The payment of commission as remuneration for services undertaken or products sold is a common way to reward sales people.

Examples:

**Travel and Real Estate agents, car salesman**

---



**(f) Profit**

Profit is income received by the owner of a business for risk taking and management.

Examples:

**Retail owner (once all the costs are taken out and the outgoings calculated)**

---

**Sole Trader Business (once all the costs are taken out and the outgoings calculated)**

---

**Sources of unearned income**

Who pays the following unearned income?

**(g) Rent**

A charge or a payment or series of payments made by the lessee to an owner for use of some property, facility, equipment or service.

Paid in by:

**Person/people/organisation renting property (tenants)**

---

**(h) Dividends**

The proportion of a company's profit that it pays to its shareholders, usually declared as a dividend per share (DPS).

Paid in by:

**Company issuing the shares**

---

**(i) Royalties**

A royalty is a payment to the holder of a copyright or patent, or to the owners of technology or trade names, for the right to their use.

Paid in by:

**User of the copyright or patent material e.g. Publishers**

---

**(j) Interest**

The fee charged by a lender to a borrower for the use of borrowed money, usually expressed as an annual percentage of the principal. It is the cost of borrowing and is a return on savings.

Paid in by:

**Bank, financial institutions**

---

**(k) Admission fees**

Income received from charging a fee to view or visit an event, entertainment, site etc.

Paid in by:

**People/persons going to the event, site etc... (customers)**

---

## (I) Reflection

Why is it illegal to copy music from CD's, concerts and websites without permission? Do you think this is fair?

**Any acceptable answer.**

## Question Six

Examples of other sources of money -

- Gifts
- Gambling winnings e.g. Lotto, Casino, Races
- Legacies or inheritance (money left when someone dies)
- Cash prizes
- Loans

These sources of money are not income, although they some may be taxed. Loans are just that – loans - and they have to be paid back to the lender.

- (a) Choose one of the above and research it in detail.
- (b) Find an interesting fact or story to share with the class. Use the “Tell a story” structure as outlined in the Junior Secondary Manual.
- (c) Using the sources of income and other sources of money in the boxed text, match a term to the sentences and statements below.

Royalties	Gambling winnings	Commission	Salary
Admission fees	Legacies (inheritance)	Profit	Rent
Fees	Wages	Dividends	Interest
	Student Loans	Cash prize	

1. “A New Plymouth family was in shock after winning a massive \$19 million on Lotto Powerball, says NZ Lotteries’ Chief Executive Todd McLeay.”  
This is an example of **gambling winnings**.
2. “This can help to finance your study. You have to pay it back.” **Student Loans**
3. If you were looking to live in London and you didn’t own your own home, you may be interested to know it has the highest cost of **rent** in the world.
4. “One day hoppers, annual passports and multi day entry” are an example of what at Disney Land?  
**Admission fees**

5. If you want to borrow money from the bank, there is a certain rate you have to pay according to how much you want lent to you. This is called an **interest** rate.
6. Every time Mama Mia is played, the band ABBA will receive **royalties**.
7. A Real Estate Agent would earn a base **salary** and for every house sold would earn **commission**. The home owner would then have to pay Estate Agent **fees**.
8. **Dividends** are payments made by a corporation to its shareholder members. They are usually in cash.
9. A jackpot **cash prize** of NZ\$1 million to NZ\$15 million is supplemented with product prizes such as Porsche and Aston Martin cars, boats, holiday homes and luxury travel. "The odds of winning first prize are 1 in 16,290,120." – source Wikipedia.org
10. Paris Hilton is an example of socialite receiving **inheritance** money from her family name. She is also a business woman making a large **profit** from perfumes, books, nightclubs, and footwear and fashion lines.
11. **Wages** are calculated on an hourly basis and can be paid to you on a weekly, fortnightly or monthly basis depending on your employer.

### Question Seven

Identify some decisions that could be made about your potential income earning capability. Describe how each decision will affect your level or amount of income.

Decisions	Potential decision impact
Gain a qualification	<ul style="list-style-type: none"> <li>• Increase in income</li> <li>• Better chance of employment</li> <li>• Increase in debt with a student loan</li> </ul>
Become self employed	<ul style="list-style-type: none"> <li>• Possibly short term reduction in income while you get the business established</li> <li>• Long term expectation of income increase</li> </ul>
Have a baby	<ul style="list-style-type: none"> <li>• Reduction or loss of income while pregnant or on maternity leave</li> <li>• Increase in expenses</li> </ul>
Shift to another town or another country to get a higher paying or more satisfying job	<ul style="list-style-type: none"> <li>• Change for family in new environment</li> <li>• Change in income level?</li> </ul>

## Question Eight

### Research task

- (a) Find out the minimum starting wage of four occupations that you could realistically consider.
- (b) What is the potential income for each of these four occupations after you had been working for twenty years (assuming no career change)?

Career or occupation	Minimum and potential income	Chosen ranking	Explanation
<b>Student answers</b>			

## Question Nine

### Life stages and life events

Everyone progresses through a series of differing stages of development. We humans move from being infants to toddlers, to childhood and adolescence, then into adulthood, which is often split into early and middle adulthood, and old age. Another way to describe these stages is to use the image of a “nest” – new in the nest, flying the nest, creating a nest, the full nest, the empty nester, and on one’s own. Education and employment options change as we move through these life stages of development.

- (a) In the table below, record a list of significant life stages and their related income/workforce participation options.

Life stages	Income/workforce participation
Examples of life stages are -	Examples of income planning or options -
• <b>Primary education</b>	<b>Jobs around the house or neighbourhood</b>
• <b>Teenager (secondary education)</b>	<b>Set income earning goals, part time work, consider career choices</b>
• <b>Post secondary school education</b>	<b>Gain workforce qualifications</b>
• <b>Industry training</b>	<b>Gain workforce qualifications</b>
• <b>In early employment</b>	<b>First job, plan career options</b>
• <b>Mid employment</b>	<b>Mid career, income earning capacity at peak</b>
• <b>Retirement</b>	<b>Part time or no participation. Reliance on unearned income.</b>

Money can have a large impact on your life. It helps you achieve the things you want.

Have you ever thought about what sort of lifestyle you want? Or perhaps where you will get the money from to fund that lifestyle?

(b) Where do you expect to get your income from at the different life stages?

Your values will influence how you will spend and save your money when you are earning income.

What are some of the values you may have at these different life stages?

Life stage	Expectations of income source	Values (What is important to me)
Teenager	Part time job/pocket money	Various answers for this section dependant on student.
Just left school	Part time while studying	
In early employment	Full time job	
Mid employment 30 – 50 years	Full time job, Self employed	
50 – 65 years	Part time – early retirement?	
65 +	Retirement	

### Life events

As we go through the different stages of life, our goals and expectations can change – some of which can affect us financially. We may experience significant life events, some of which may be “Income Shocks”.

Some events are unexpected, and some are expected. All, however, can be planned for in order to respond to challenges that lie ahead.

Can you prepare yourself for significant life events? If you think about the impact that these significant life events might have on you now and in the future, it can help you prepare for, and therefore minimise, the effect that an event might have on your personal income.

(c) Give a list of examples of significant life events.

**Student answers – may include but are not limited to:**

- Travel
- Employment interruption / change (e.g. redundancy, being fired, promotion, change in hours, maternity leave)
- Relationship change (e.g. marriage, separation, divorce)
- Family circumstances change (e.g. having a baby, changing roles within the family, serious accident or illness, financial gain/windfall).

- (d) Here are some examples of some significant life events. Some events have positive effects and some have negative effects. For each scenario, identify the impact that the event has on the income situation.

Scenarios	
1.	Aisake is a very able year 13 student, who is planning to go to university to study law. He is also a committed member of the first XV. During the last match of the season, he is injured in a scrum collapse and as a result is a permanent paraplegic.
2.	Tara is happily married to Lolesh. They have three adult children and at this stage of their lives are financially secure. Lolesh suffers a serious stroke, which means that he has long term employment restrictions.
3.	The Addams family is apparently stable and well-adjusted. Out of the blue, Mortica announces that she and a friend intend to set up home together in another town. Her husband and children are left to cope on their own.
4.	Makare and Teariki have been married for five years. Teariki is a cleaner at Jasmax. Teariki has decided to give up his junior clerical job at the hospital and go to tertiary to take a nursing course.
5.	Daven Patel has been self-employed as a door knob installer for 25 years. Technology has caught up with him and door-knobs are no longer required as people are now using voice-operated doors.
6.	Wati and Farouk are happily married with a combined annual income of \$50,000. Wati earns \$30,000. She falls pregnant with triplets. The doctor has said that Wati needs to have bed rest for the last three months of the pregnancy.
7.	The Buwawa family lives in Australia and have five children. Recently Cyclone Bill has hit the village where their parents live. The parents decide to come and live with them. However, when they arrive, the family discovers they cannot work, nor can they collect a welfare benefit.

For each for these significant life events,

- identify the impact on current income
- identify the impact on future income
- identify a possible contingency plan.

Scenario	Impact on current income	Impact on future income	Possible contingency plan
1			
2			
3			

Scenario	Impact on current income	Impact on future income	Possible contingency plan
4			
5			
6			
7			

(e) Complete the table of significant life events that might happen at the life cycle stages, and then imagine how this might impact on your income and your lifestyle.

**Answers below will depend on the student. Examples of suggested answers provided.**

Lifecycle stage	Significant life events	Impact on your income	Effect on your lifestyle
Teenager 13 – 16 years	<ul style="list-style-type: none"> <li>• Peer pressure to fit in and conform to society.</li> </ul>	<ul style="list-style-type: none"> <li>• Spend more money on going out, entertainment, personal image and gadgets.</li> </ul>	<ul style="list-style-type: none"> <li>• School work may suffer.</li> <li>• Might not have the finances to fund the 'going out' etc...</li> </ul>
Just left school 16 – 19 years	<ul style="list-style-type: none"> <li>• Starting work.</li> <li>• Driving and obtaining licence.</li> </ul>	<ul style="list-style-type: none"> <li>• Money for a car.</li> </ul>	<ul style="list-style-type: none"> <li>• Less able to buy the things you want though you would have a car.</li> </ul>
20 – 30 years	<ul style="list-style-type: none"> <li>• Travel</li> <li>• Relationship change</li> <li>• Employment change</li> </ul>	<ul style="list-style-type: none"> <li>• Travel costs – air travel, taxes, spending money, visas.</li> <li>• Change in financial perspective if entering relationship with a partner.</li> <li>• Employment change may increase your income.</li> </ul>	<ul style="list-style-type: none"> <li>• Travel holiday vs working overseas travel.</li> <li>• Changes in costs to consider</li> <li>• New colleagues to socialise with.</li> </ul>

Lifecycle stage	Significant life events	Impact on your income	Effect on your lifestyle
30 – 50 years	<ul style="list-style-type: none"> <li>• <b>Marriage</b></li> <li>• <b>Having a baby</b></li> <li>• <b>Employment interruption/ change</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Increase costs for engagement/ wedding ceremony/ honeymoon.</b></li> <li>• <b>Decreased income - have to rely on benefits such as Paid Parental Leave (if entitled) or Working for Families Tax credits (if entitled)</b></li> <li>• <b>Less income.</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Debt repayment to fund (if loaned money).</b></li> <li>• <b>Wouldn't be able to go out as much.</b></li> <li>• <b>Would have to reduce expenses to cope.</b></li> </ul>
50 – 65 years	<ul style="list-style-type: none"> <li>• <b>Height of income earning potential.</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Increased income. Might be able to live off the interest.</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Do the things you have always wanted to do, pay off debt</b></li> </ul>
65 +	<ul style="list-style-type: none"> <li>• <b>Part time work.</b></li> <li>• <b>Serious illness</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Loss of wages - might be entitled to withdraw funds from FNPF.</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Increased costs with grandchildren.</b></li> <li>• <b>Might not be as active- enjoy the social activities you used to do prior to illness.</b></li> </ul>

(Marking – suggest marking schedule similar to the one used for research)

### Question Ten

#### Career goal setting

*"The most important thing about goals is having one". Geoffrey F. Abert*

To get to where you want to go in life, you need to decide how you will get there.

Career goal setting and having a financial plan will ensure you have some indication of the path you intend to take.

#### What is a goal?

Goals are what we want to achieve, acquire or be. They represent our ambitions, our dreams and are based on our individual values.



Goals are dreams with deadlines.

(a) Explain what the statement in the box above means.

---

---

---

---

(b) Think about a goal that you have already achieved. Write down what you did to achieve that goal.

---

---

---

(c) Why do you think goals may be important in managing your money?

---

---

---

A well defined goal has a specific purpose. Achieving your goals requires a positive approach to goal setting. Most goals you set will have an impact on your personal income - the degree of impact will depend on the goal set.

(d) There are different types of goals – financial, social, lifestyle and career goals are to name a few.

Using the headings below, give additional examples of different goals.

1. Financial goals

Example: Paying off debt

My examples: **Buying a new gadget; saving for retirement; saving in general.**

---

---

2. Social goals

Example: learn to speak another language

My examples: **Achieve a higher tertiary qualification; belong to new clubs/associations, making different friends**

---

### 3. Lifestyle goals

Example: travel to Nepal and climb Mt Everest base camp

My examples: **Entertaining with friends more than once a week; owning a holiday home.**

---



---

### 4. Career goals

Example: Owning my own business

My examples: **Completing an apprenticeship; getting a promotion; managing a team.**

---



---

(e) Here are some goals.

1. What types of goals are they and what would you need to do in order to achieve them?

Goal	Type of goal	Some pathways or steps required to achieving the goal
To get FSLC	<b>Career</b>	<b>Accept reasonable answers</b>
To be selected for a sports team	<b>Social or career depending on the level of the team</b>	
To save \$200	<b>Financial</b>	
To get fit	<b>Lifestyle</b>	
To be a successful designer	<b>Career</b>	
To retire early	<b>Financial</b>	

2. What prerequisites would there be to becoming a Physical Education teacher?

- **e.g. Fitness and sports ability**
  - **Academic success in the required areas**
  - **Good interpersonal skills**
- 
- 

(f) What do you want to achieve? Achieving your goals requires positive goal setting. You need to think about a pathway to achieve your goals, by identifying any prerequisites and the steps along the way.

Create a list of your financial goals for the future. Research shows that by writing our goals down it makes it more likely that we will achieve them.

1. You will need to refer back to this list many times for other activities – record as many as you can.

List of goals	Priority
<b>Individual various answers.</b>	
<b>Examples include but are not limited to:</b>	
<b>Buying a new phone</b>	
<b>Travelling overseas to live/work</b>	
<b>Buying a car</b>	

List of goals	Priority
<b>Saving for a deposit on a house</b>	
<b>Paying off my debts</b>	
<b>Saving for my retirement etc</b>	

Once you have established your financial goals above, put them in order of importance to you.  
This is called prioritising your goals. Number 1 = highest priority, number 2 = second priority and so on.

2. Which goal have you identified as the most important?

Why?

**Individual various answers.**

3. Which goal have you identified as being the least important?

Why?

**Individual various answers.**

### SMART Goal setting

*"If you don't know where you are going, you will end up somewhere else". Yogi Berra.*

Most people have vague goals for their future – a big car, new house, overseas travel and so on, but many do not spend too much time thinking about how they are going to achieve their goals. To be achieved, goals need to be SMART.

- S Specific** – provides further detail about the goal. It should be clear and highlight what you want to have or have happen. Specific goals help keep you motivated and on track. Ask yourself, are my goals specific or are they generic?
- M Measurable** – the value of your goal. You need to know when you have achieved your goal. Ask yourself, how will I know when I have achieved the goal?

- A Achievable** – you need to be able to achieve your goals in context within your current situation. You may want your first car to be a Porsche or Ferrari but that is unlikely to happen for most people. Ask yourself, can this goal be realistically achieved?
- R Relevant** – your goal needs to represent something that you are willing and able to work towards. Ask yourself, is this goal relevant to my situation or is it related to my dreams?
- T Time- bound** – you need to set a date for the achievement of the goal. Saying “I want to travel overseas one day” is not the same as “in 6 months time I will save \$2000 to travel to Australia”. Ask yourself, do my goals have a timeframe or are they too broad? A concrete timeframe will help you organise your money so that you have saved the right amount by the time you require it.

The goals that we looked at before are not written as SMART goals.

(g) Rewrite each goal so that it meets the SMART criteria.

Goal	SMART Goal
To get FSLC	<b>Individual answers but each goal needs to be specific, measurable, achievable, realistic and timebound.</b>
To be selected for a sports team	
To save \$200	
To get fit	
To be a successful designer	
To retire early	

### Question Eleven

Choose a career goal and develop a plan and timetable for you to achieve it. Write your career goal as a SMART goal, and then use the template of the case study below to develop your career plan and timetable.

Example of a Case Study

#### Elenoa

**Age:** 26 years

**Location:** Lives in Nadi

**Current circumstances:** Living at home with parents in full time employment

**Education:** trained and qualified as a nurse

#### Initial goal

To save \$2000, travel abroad and experience Australia by working and living there for a while.

#### Time frame

Initially wanted to leave Fiji within 6 months. Realistically it will take 12 months (see note below)\*

**Short term action steps - Set up a savings plan**

- look at ways of increasing monthly income (extra work, selling car)
- look at ways of spending less (going out less with friends)

**Research and information gathered**

- Spoke with a friend who had just applied for a visa to work in Australia. \* Realised it took 6 months to get so had to extend time frame of initial goal.
- Called the Australian High Commission in Fiji to find out about the entry and visa requirements.
- Obtained information from the Bank, Inland Revenue and previous employers for the visa.
- Researched using websites (Australian High Commission, Job vacancies/recruitment companies) and online social notice boards to chat, take part in forums and discussions.
- Compared information from a variety of sources (library, online, word of mouth)
- Looked at the costs of airfares through the web and visiting travel agencies.
- Researched the cost of accommodation, living expenses and transport in Australia.
- Researched the kind of employment opportunities and income levels given her age and experience whilst over there.

Now it's your turn to identify a career goal, and develop a plan and timetable for achieving it, including education/training requirements, costs and possible debt.

(a)

**Age:**

**Location:**

**Current circumstances:**

**Education:**

(b) Initial goal

---

---

(c) Time frame

---

---

(d) Short term action steps

---

---

---

---

(e) Research and information gathered (including income and other financial information)

(f) Why do you think it is important to gather information first before making a significant financial decision?

**Answers could include:**

- **To know where you are heading.**
- **Researching means you will find out what exactly you need to achieve the goal.**
- **To see if you can realistically go ahead with the financial decision.**

(g) What benefits does this have?

**Answers could include:**

- **You can establish the exact cost of the goal**
- **The goal can be made more manageable therefore more achievable.**

### ***Large case studies***

#### ***Question Twelve***

##### **Alison and Mose**

**Alison and Mose Wah** are close to retirement. They will soon start drawing on their FNPF savings. They have a short term savings account and a term deposit account at their local bank. They recently boosted their savings account with a large sum of money from a lottery win. However, they also gave some of this money to their church, and to their grandchildren, on condition that they save half of it.

**Alison** will continue to receive money for marking examination papers for the local tertiary institute. She gets paid per paper she marks. She also works part-time at the local supermarket and is paid a salary for five mornings a week.

**Mose** does contract odd jobs and charges \$15 an hour for his services. He also likes to do the maintenance work on two properties that he and Alison rent out. Before he approached retirement, he ran a small very profitable joinery business, which he recently sold.

Their son, **Peni**, finished his Hospitality course at the tertiary institute two years ago and was gradually paying back the money he borrowed to do study. Unfortunately, he was recently made redundant, as the restaurant where he was the head waiter closed. **Peni** was paid hourly and on average worked 44 hours a week. He was well liked at the restaurant and was frequently tipped by the customers for his good service.

(a) Complete the table below.

Source of income and other receipts of money referred to in the case study	Earned income / Unearned income / Neither	Circumstances
Interest	Unearned	Income from money in savings type accounts
Commission	Earned	Income from piece work
Salary	Earned	Regular payment from work calculated on a yearly basis.
(Contract) fees	Earned	Payment for a service completed
Rental income	Unearned	Payment received by the owner for renting a property
Profit	Earned	Income earned by the owner of a business
Redundancy payment	Earned	Payment to an employee who is being made redundant
Wages	Earned	Payment for hours worked
Tips	Earned	Payment for service
Lotto (gambling) win	Neither	Prize for getting the drawn numbers
One off Gifts	Neither	Transfer of money from one person to another as a gift

(b) Explain why the examples of receipts of money in the table above (which are not earned or unearned income) are not personal income.

**Because they are money receipts that are not derived from work, nor do they come from ownership of assets.**

### Question Thirteen

**Tevita**

#### Tevita's personal income decision

You are a life coach and have also undertaken some study of personal financial management. Tevita has come to you for advice about making an informed decision relating to personal income. He also wants to make sure that his decision is as good as it can be so he wants to evaluate the potential consequences of the decision he makes.

Tevita tells you about himself:

He is currently a Form Six student aged 17. He has two brothers and a sister who are all in their late twenties and early thirties. Tevita is the only one who is still living at home. The older siblings are either working overseas or married with young families. All of them have gone into the careers of their choice and have been part of very exciting projects.

His parents, Josefa and Vika, are both in their early sixties. Just recently his father was made redundant. He was a loyal and hard working employee who had worked for the same company all his life. His mother, Vika, is earning the family's only income. She is a part-time receptionist at the hospital.

His father was absolutely devastated when the company he worked for collapsed. His loyalty to his job extended to heavily investing in the company. Unfortunately, not only is he now unemployed, he has also lost a considerable amount of his retirement nest-egg. Although well-intentioned, his father's saving and investment decisions have caused the family much stress and this is causing Tevita to seriously consider planning for his future.

Tevita has big dreams for his life. He is a very social person and loves organising fun sports events for his friends. He has turned this aptitude into a real income earning activity this year, by using an idea about a sports event as the product/service.

He is also a computer whizz. Because of his computer skills, he has been able to get a part-time job at the hospital where his mother works. At the hospital, he has spotted an opportunity to create a new computer programme that would streamline and improve hospital admissions' procedure. He has the opportunity to keep working in this part-time job after he leaves school.

Tevita is earning \$100 a week in his part-time job. Currently he spends no more than \$20 a week on his personal needs and wants. To date, he has not given any thought about doing anything special or specific with his weekly cash surplus. It is accumulating in a low-interest call account at the bank.

Tevita has now become very concerned about long term financial security, as a result of his family's situation. In fact, it has become his overall "big idea" about what is important in life. He is considering how best to plan for this aspiration. He wonders how much he should save and how much he can spend from his part-time job's income.

Although he is largely self-taught when it comes to computers, he believes he will need a recognised and useful qualification to work both in Fiji and overseas. Therefore he plans to study business and focus on computer programming when he leaves school. He also admires what his older siblings have done and would like to follow in their footsteps overseas. He is also really enjoying his sports event "business" and can see opportunities to become self employed at a later date.

Your advice needs to give guidance to Tevita to help him make informed decisions about his goals and his personal income.



**(a) The context**

1. What is the **life stage** which is the context for Tevita's personal income-related decision?

**Tevita is making income related decisions based on moving from school to tertiary and future employment options.**

2. What significant **life event** has affected Tevita's thinking?

**His father is at the "close to retirement" stage and his employment (redundancy) and investment situation has had a strong impact on Tevita's thinking.**

3. State how this family significant life event has impacted Tevita's long term plans?

**Tevita is keenly interested in building up long term financial security, and his personal income decisions need to support this idea.**

**(b) Goal setting**

In order to help Tevita achieve his "big idea", he needs to set some goals.

1. Using the case study, in broad terms, list three personal income related goals which could contribute to his "big idea".
2. State the types of the goals you have listed (e.g. financial, social, lifestyle or career goals).

Goal	Type of goal
<ul style="list-style-type: none"> <li>• Get a recognised and useful qualification that will enable him to work both in Fiji and overseas.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Career</b></li> <li>• <b>Financial</b></li> </ul>
<ul style="list-style-type: none"> <li>• Work overseas (for experience).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Career</b></li> <li>• <b>Lifestyle</b></li> </ul>
<ul style="list-style-type: none"> <li>• Set up his own business.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Career</b></li> <li>• <b>Financial</b></li> <li>• <b>Lifestyle</b></li> </ul>
<ul style="list-style-type: none"> <li>• Start saving for his retirement, (so that his unearned gross income grows and he becomes less reliant on earned income).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Financial</b></li> </ul>

3. Which of the following income related options has he identified as being the way to achieve his goals?

Income related options	Goal priority
Further education	1
Change of job or career	2, 3
Change of personal habits	
Changes to consumption priorities	
Saving over spending	4

4. Identify the SMART components for **three** goals and then write each one as a SMART goal.

**(i) Goal One**

**Get a recognised and useful business related/computing qualification that will enable him to work both in Fiji and overseas.**

**Examples of answers below. Accept any reasonable answer that relates to the goal.**

Specific	Measurable	Achievable	Realistic	Timebound
Goal	Measures could be cost/quality/ quantity/time/safety measures	What can he do regularly to achieve that goal?	How long will it take him to reach the goal?	Deadline
<b>Get a Business Studies qualification specialising in computing</b>	<b>Set up a savings fund to save for the costs of going to the tertiary institution. Choose a tertiary institution to study at. Identify a relevant course of study.</b>	<b>Study subjects at school or undertake relevant activities in his spare time which will enable him to get into the course of his choice. Save \$100(?) a week towards the costs.</b>	<b>Three years after Form Seven.</b>	<b>Complete the qualification by the time he is 21.</b>

Goal One in **SMART** terms:

**Tevita wants to ensure that he has the relevant prerequisite learning, his tertiary first year costs are covered, he has gained acceptance to his chosen course of study and allocated three years of his life towards getting the qualification by the time he is 21.**

**(ii) Goal Two**

**Gain overseas experience.**

**Accept any reasonable answer that relates to the goal.**

Specific	Measurable	Achievable	Realistic	Timebound
Goal	Measures could be cost/quality/ quantity/time/safety measures	What can he do regularly to achieve that goal?	How long will it take him to reach the goal?	Deadline
<b>Work overseas</b>	<b>Set up savings fund to save for the air fare for the overseas trip. Target which country to work in. Qualify for work permit.</b>	<b>Save \$10(?) a week towards the one way travel costs (\$1100?), with \$1000 to live on when he arrives.</b>	<b>Depending on the country chosen, have the airfare + some funds for living saved by the time he gets his qualification.</b>	<b>Work overseas by the time he is 23.</b>

Goal Two in **SMART** terms:

**Tevita aims to have the one way air fare (\$1100?) + \$1000 for living costs to enable him to work overseas (Country?) a year after he gets his qualification.**

**(iii) Goal Three**

**Set up his own business**

**Accept any reasonable answer that relates to the goal.**

Specific	Measurable	Achievable	Realistic	Timebound
Goal	Measures could be cost/quality/ quantity/time/safety measures	What can he do regularly to achieve that goal?	How long will it take him to reach the goal?	Deadline
<b>Set up his own business</b>	<b>Business set up and running. Source/save business start up capital of one year's running costs.</b>	<b>Write down at least two business ideas a year. Join a club of Young Entrepreneurs while he is overseas.</b>	<b>Nine years after finishing his tertiary studies?</b>	<b>Have the business up and running by time he is 30?</b>

Goal Three in **SMART** terms:

**Tevita aims to set up his own business by the time he is 30 years old, with sufficient start up funds to cover one year's running costs.**

**(iv) Goal Four**

**Start saving for his retirement**

**Accept any reasonable answer that relates to the goal.**

Specific	Measurable	Achievable	Realistic	Timebound
Goal	Measures could be cost/quality/ quantity/time/safety measures	What can he do regularly to achieve that goal?	How long will it take him to reach the goal?	Deadline
<b>Start saving for his retirement</b>	<b>Save part of his income from his hospital job.</b>	<b>Contribute to an FNPf scheme.</b>	<b>Must stay in the scheme until he is 65 years old.</b>	<b>Start the contributions at the next payday.</b>

Goal Four in SMART terms:

**Tevita aims to join a FNPf scheme next pay day and contribute from his pay.**

**(Four options are provided. Only three are required)**

**(c) Research for career goal and develop a plan to achieve it.**

Assemble information which is relevant to the identified personal goals.

You must provide information for three goals, in hard copy and give the documents to your teacher.

**1. Goal One**

**Tevita wants to ensure that he has the relevant prerequisite learning, his tertiary first year costs are covered, and has gained acceptance to his chosen course of study and allocated three years of his life towards getting the qualification by the time he is 21.**

Information he needs to help him achieve this goal includes:

**Research information on computer-related courses to ensure that he studies the required pre-requisite subjects at school.**

**Research information on courses available at the local tertiary institution.**

**Research costs to attend the tertiary institution (course costs, student fees, living costs allowance).**

## 2. Goal Two

**Tevita aims to have the one way air fare (\$1100?) + \$1000 for living costs to enable him to work overseas (country) a year after he gets his qualification.**

---

Information he needs to help him achieve this goal includes:

**Research job advertisements to ensure that the tertiary qualification will provide possible employment in either Fiji or in the country of his choice.**

---

**Research airfares to desired destination.**

---

**Research potential work available overseas.**

---

**Research requirements to enter the country and get a job in his chosen overseas destination.**

---

## 3. Goal Three

**Tevita aims to set up his own business by the time he is 30 years old, with sufficient start up funds to cover one year's running costs.**

---

Information he needs to help him achieve this goal includes:

**Research potential product ideas and potential competition.**

---

**Research a business mentoring organisation or person.**

---

**Research how much start-up capital would be appropriate.**

---

## 4. Goal Four

**Tevita aims to join the FNPf scheme next pay day and contribute a proportion of his pay.**

---

Information he needs to help him achieve this goal includes:

**Research the generic conditions and requirements of the FNPf scheme.**

---

**Identify a suitable FNPf scheme and type of fund.**

---

**Research how to join his chosen scheme.**

---

**(d) The decision**

- Short term goals generally have a one year time frame.
- Medium term can have a timeframe of one – five years.
- Long term goals have a time frame of over five years.

1. Which of Tevita's goals are:

Time frame	Goal/s
Short term	<b>Starting saving for his retirement (immediate)</b>
Medium term	<b>Getting a Business Studies/Computing qualification Going on his OE</b>
Long term	<b>Setting up his own business Going on his overseas experience</b>

2. Does Tevita need to make any changes to his income-related options to achieve his **SMART** goals?  
Fill in the table below.

Income related options	Any changes required?
Further education	<b>Check he is on track for getting into the course of his choice.</b>
Change of job or career	<b>Implement SMART goal activities in relation to ensuring he can work overseas and later set up his own business.</b>
Change of personal habits	<b>Join FNPf Set up separate interest earning savings accounts dedicated to saving for his goals.</b>
Changes to consumption priorities (spend less, earn more, save more?)	<b>Tevita has sufficient cash surplus from his job to enable him to achieve his goals without changing his consumption level of \$20 a week.</b>
Saving over spending	

3. Now that you know his goals, his financial situation, and the cost of his goals, what do you think is the best way to achieve them? Would you advise Tevita to

(i) Focus on one goal at a time ☐

(ii) Work towards achieving two of his goals ☐

(iii) Spend some time working towards all of his goals ☐

(Tick the box of your choice).

4. Why have you advised him to do this? Explain which option from (3 above) you advised him to follow has the most potential to achieve and/or contribute to the goals.

**Student individual answers which must be consistent with answers previously offered or information in the case study.**

---

---

---

5. Ask Tevita to answer the questions below to help him weigh up the possible outcomes of this decision and the possible impact these outcomes may have.

Write down two positive outcomes that could result from choosing the option to achieve his goals.

**Student individual answers which must be consistent with answers previously offered or information in the case study.**

(i)

---

---

---

(ii)

---

---

6. Write down two negative outcomes that could result from choosing the option to help him achieve his goals.

**Student individual answers which must be consistent with answers previously offered or information in the case study.**

(i)

---

---

---

(ii)

---

---

---

7. Write down what impact these outcomes might have on

**Student individual answers which must be consistent with answers previously offered or information in the case study.**

- Tevita

---

---

- Others, including Tevita's family

---

---

- His situation now

---

---

- His future

---

---

- The amount of money he now has available to spend on needs and wants

---

---

- How this option may affect his lifestyle, career, or quality of life

---

---

8.(i) Are any of the outcomes of the chosen option, or the impact they may have, likely to make him unhappy about the decision

**Student choice**

Yes      No

(circle one)

(ii) What should he do as a result of weighing up his decision?

Go ahead with the decision

☐

Change the decision and look at another option.

☐

(Tick the box of your choice).



## 4.5 Assessment for Economics Learning Outcomes - Form Five

### ***Business and the Accounting System (Course content Section 5.9)***

#### **Banking and financial services**

- (a) Identify products and services offered by banking and financial institutions.
- (b) Describe specialised and/or ancillary products and services offered by banking institutions and their purpose.
- (c) Describe access mechanisms and security issues for general products and services.
- (d) Evaluate costs and benefits of the services offered.
- (e) Select and justify the most appropriate account for a given situation.

#### **Assessment examples**

##### **Multi choice questions**

1. Which of these services can you **only** get from a bank?

- (a) Credit card
- (b) Investments
- (c) Borrowing money
- (d) Transaction account

**(Answer – d)**

2. Most of us need to get cash out of our bank account regularly. To save money on activity fees, you should

- (a) Use your EFTPOS card every time you purchase something
- (b) Go to the bank and get cash over the counter
- (c) Get enough cash to last you for a reasonable time when you purchase something
- (d) Get rid of your EFTPOS card and use cheques instead

**(Answer – c)**

3. Kini opens a savings account with a fixed interest rate. This means:

- (a) The more money he has saved, the higher the interest rate
- (b) The more money he has saved, the less the interest rate
- (c) The more money he has saved, the higher his tax rate
- (d) The more money he has saved, the lower his tax rate

**(Answer – a)**

4. Resident Interest Withholding Tax is best described as

- (a) A tax on residential property
- (b) A tax on residents who have a bank account
- (c) A tax for those who are not normally resident in Fiji
- (d) A tax on interest

(e) None of these

**(Answer – b)**

5. Which of these is **not** a credit card?

- (a) Diners Club
- (b) Visa
- (c) MasterCard
- (d) All of these are credit cards

**(Answer – a)**

6. Which best describes a “bounced cheque”?

- (a) A cheque that has been stolen
- (b) A cheque that the bank refuses to pay out on because there is not enough money in the drawer’s account
- (c) A cheque that has not been signed
- (d) A cheque that has not been stamped “not transferable”.

**(Answer – b)**

7. Which statement best describes a Term Deposit with a bank?

- (a) A deposit for a certain period of time at a set interest rate, which usually cannot be withdrawn
- (b) A deposit for a certain period of time at a set interest rate, which can be withdrawn at any time
- (c) A deposit for a certain period of time where the interest rate varies and can be withdrawn at any time
- (d) A deposit for a certain period of time with an interest rate that the bank can vary but if it does you have the right to withdraw

**(Answer – a)**

8. Which of these is a type of mortgage?

- (a) A line of credit
- (b) A variable interest rate loan
- (c) A principal and fixed interest loan
- (d) All of these

**(Answer – d)**

9. Joeli has a mortgage of \$125,000 over 25 years at 8%. The monthly repayments are \$964.77. The total interest that he will pay over the time of the mortgage is

- (a) \$289,431
- (b) \$164,431
- (c) \$24,119
- (d) \$29,431

**(Answer – b)**

10. Sunita has saved \$500 for her tertiary expenses by working part-time. She plans to start tertiary next year and needs all of the money she has saved. Which of the following is the most suitable place for her tertiary money?
- (a) Locked in a drawer at home
  - (b) A two year Term Deposit account
  - (c) Shares
  - (d) A bank savings account

**(Answer – d)**

11. Many people save money to take care of unexpected expenses. If Jacob and Mere have put money aside for emergencies, what would be the way of **least** benefit to them if they needed the money right away?
- (a) A cheque account
  - (b) A bank savings account
  - (c) Shares
  - (d) Invested as a deposit on their house

**(Answer – d)**

12. If you saved \$1000 today at 4% for a year, your balance in a year's time will be?
- (a) Higher if the interest is compounded daily rather than monthly
  - (b) Higher if the interest is compounded quarterly rather than weekly
  - (c) \$1000 no matter how the interest is computed
  - (d) \$1040 no matter how the interest is computed

**(Answer – a)**

13. Which of the following instruments is **not** typically associated with spending?
- (a) ATM Card
  - (b) Cash
  - (c) Term deposit
  - (d) Credit card

**(Answer – c)**

14. Which of the following credit card users is likely to pay the greatest dollar amount in interest charges per year if they all charge the same amount per year to their credit cards?
- (a) Luse, who pays off her credit card in full shortly after she receives it
  - (b) Maria, who occasionally pays off her credit card in full but often pays the minimum when she is short of cash
  - (c) Simone, who pays at least the minimum amount each month and more when she has the money
  - (d) Matila, who only pays the minimum amount each month

**(Answer – d)**

15. Which of the following statements is **not** correct about most ATM cards?
- (a) You can get cash anywhere in the world with no fee.
  - (b) You can generally get cash 24 hours a day
  - (c) You can generally get information about your bank balance at an ATM
  - (d) You must have a bank account to have an ATM card

**(Answer – a)**

### **Case studies**

#### **Question One**

Bill wishes to save some money for his future. He realises that he tends to spend all of his money each week. Sakeasi has told him of his savings plan and Bill finds that his bank will offer him 6% per annum if he saves on a regular basis.

Bill receives his credit card statement showing that he owes \$440. If he does not pay this by the due date, he will be charged 1.625% a month interest. Bill has a credit limit of \$1000 so he has \$560 available credit at present. He decides to withdraw the extra \$560 in cash from his credit card and put it into a savings account, earning 6% interest, giving his savings plan a big boost. He tells Sakeasi that he would also get the benefit of the usual 55 days free credit on the card so he argues that he will not pay any interest at all for nearly two months.

#### **Questions**

- (a) Explain whether or not this is a wise thing to do. Support your explanation with your knowledge of the credit card system.
- (b) What alternative action could he take to establish a savings programme.

#### **Answers**

- (a) Bill is making a big mistake. His credit card interest costs are 1.625% per month, which is the equivalent of 19.5% per annum. His plan is to borrow money at 19.5% per annum and reinvest it at 6% per annum.**

**Furthermore, if he borrows the \$560 available credit as a cash advance from his credit card, he will not get any interest free money at all because a cash advance is subject to interest charges from the time the money is withdrawn.**

- (b) If Bill wishes to start a savings programme, then he would need to reassess his weekly expenditure and see items what he could reduce (as he spends all his money). He could start a small savings programme now and increase this as he earns more or can cut down more of his expenses.**

## Question Two

In a couple of year's time Asenaca intends to apply for a credit card. She has been saving some of her money in readiness for her tertiary study. She does not want to be tempted into spending this money. After she has her mind set on buying a property as soon as she can save the deposit when she gets her first job.

Questions:

- (a) List the type of information that the bank may want from her on her credit card application form.
- (b) Recommend an account into which she can deposit her savings. Explain the features of the account.
- (c) What could Asenaca do to help to help herself with her desire to save?
- (d) Explain the major features of a mortgage. Identify any difficulties and benefits there may be when taking out a mortgage.

## Answers

**(a) Type of information that may be required:**

- **Personal & "contact" details**
- **Other financial commitments**
- **Income**
- **Expenditure**
- **Assets & liabilities + any reasonable answer.**

**(b) Student own answers.**

**(c) She could place her savings in a term deposit account so that she is not tempted to withdraw it.**

**(d) A mortgage is a loan where real estate is given as security. The most common type of mortgage is one used to purchase a family home. The advantage of such a loan is that the purchaser has the benefit of home ownership even though they may not have sufficient cash to purchase the home outright. The disadvantage is that there are regular financial payments to be made (usually monthly). Also if there is a serious default, it is likely that the home will be sold by the lender to defray the cost of the mortgage.**

## Question Three

Shariff and Amira are looking forward to their first baby. However, it is expected that Amira will stop work for a year. As part of their plan to reduce costs to take account of their reduced income, they have reviewed their banking habits. A friend advises that internet and electronic banking are cheaper than ordinary banking.

Questions

The following are examples of types of available banking services: branch banking, ATM banking, internet banking

- (a) Give three examples of transactions that could be carried out using each of those services.

- (b) Identify the advantages and disadvantages of those services.  
(c) Discuss three costs or benefits for a retailer to make EFTPOS available for its customers.

(An example (for a – c) has been completed for you)

<b>Branch Banking</b>		
Transactions available	Advantages	Disadvantages
<i>Example: deposit cheques</i>	<i>Cannot be done electronically</i>	<i>Only available during normal banking hours</i>
1. <b>withdraw cash</b>	<b>Cash instantly available</b>	<b>As above</b>
2. <b>discuss a loan</b>	<b>Personal advice</b>	<b>As above</b>
3. <b>renew a cash card</b>	<b>Cannot be done electronically</b>	<b>As above</b>
Any other transactions e.g. 4. <b>arrange a loan</b>  5. <b>open or close account</b> 6. <b>make deposits</b>	4. <b>Could satisfy requirements at the time e.g. evidence of income etc.</b> 5. <b>Can be done straight away</b> 6. <b>Immediate action</b>	4. <b>May require second visit to satisfy evidence requirements</b>  5. <b>None</b> 6. <b>May have to queue</b>
<b>ATM Banking</b>		
Transactions available	Advantages	Disadvantages
1. <b>withdraw cash.</b>	<b>Available 24 / 7</b>	<b>Need to have a cash card Daily limit</b>
2. <b>check bank balances</b>	<b>Available 24 / 7</b>	<b>Need to have a cash card</b>
3. <b>transfer funds.</b>	<b>Available 24 / 7</b>	<b>Need to have a cash card</b>
Any other transactions		
<b>Internet Banking</b>		
Transactions available	Advantages	Disadvantages
1. <b>pay suppliers</b>	<b>Available 24/ 7 on any computer</b>	<b>Need access to secure computer</b>
2. <b>check bank balances</b>	<b>Available 24/ 7 on any computer</b>	<b>Need access to secure computer</b>
3. <b>transfer funds.</b>	<b>Available 24/ 7 on any computer</b>	<b>Need access to secure computer</b>
Any other possible transactions		
<b>Phone Banking</b>		
Transactions available	Advantages	Disadvantages
1. <b>make payments</b>	<b>Usually can be done at a time to suit the customer</b>	<b>Only possible if phone banking is set up</b>
2. <b>obtain cheque book</b>	<b>As above</b>	<b>As above</b>
3. <b>purchase foreign exchange</b>	<b>As above</b>	<b>As above</b>
Any other possible transactions		

Three costs or benefits for a retailer to make EFTPOS available for its customers

**Example of comments for the retailer to provide EFTPOS facilities.**

- **Convenience for customers so is a marketing tool**
- **Safe immediate payment**
- **Analysis of transactions**
- **Need to train staff on use**
- **Need to install, lease equipment**
- **Need a dedicated telephone line**
- **Cost of using equipment**

#### **Question Four**

Jayesh and Dev are keen to find out about banking options. They know they can deposit and withdraw money from their bank accounts as they learned about that from their MoneySmart activity in school. Dev wants to set up internet banking.

Jayesh is considering borrowing \$5000. He is looking at loans available from two different banks. One loan requires him to repay it in 3 years, the interest rate would be 7.5% and the annual repayments are \$1922. The other bank requires repayment in 5 years, the interest rate is 7% and the annual repayments are \$1219.

Dev has received an email supposedly from his bank advising that its database is being updated. He has been advised to confirm his logon and password to ensure that the details are correct.

When Jayesh and Dev approached their chosen banks, both banks gave them a pamphlet outlining Safer Banking Tips. The boys know that it is important to protect themselves when banking and so they read their pamphlets and also access the banks' websites to get additional information.

#### **Questions**

- (a) Identify **four** other functions of a bank besides deposits and withdrawals on bank accounts
- (b) Identify **three** advantages and **three** disadvantages of internet banking for Dev.
- (c) Calculate the interest that would be paid on each loan.
- (d) Give two reasons who you would recommend to Jayesh one loan over the other.
- (e) Jayesh decided to take the three year loan. Calculate the amount of principal repaid each year and the amount of interest paid each year. The annual repayments of principal and interest (\$1992) is made at the end of each year.
- (f) Identify **three** actions that Dev should take.
- (g) What actions should Dev take to maximize the security of his electronic banking procedures?
- (h) What would the banks' general tips likely to include about the following
  1. Using cheques
  2. Choosing a PIN number
  3. Security when using an ATM
  4. Using a credit card

## Answers

(a) Provide financial advice, offer safe deposit facilities, provide term deposits and mortgages, offer credit cards. Any other reasonable answer.

(b)

### Advantages of Internet Banking

Can carry out banking 24 / 7, can carry out banking in most locations e.g. at home, at work, banking can be done when convenient for Dev, most transactions are available

### Disadvantages of Internet Banking

Cannot deal in cash, need access to a computer and internet, may be difficulties with security, dependent on reliability of banking site, no contact with bank officials

(c) Loan calculations

	Loan one	Loan two
Total Loan 1 instalments	\$5768.07 (3 x \$1922.69)	\$6095 (5 x \$1219)
Total Interest component	\$768.07 (5768.07 – 5000)	\$1095 (6095 – 5000)

(d) Loan 1 vs Loan 2

#### Loan 1

is paid off sooner thus allowing funds to be channelled elsewhere

is cheaper overall as less interest is paid

#### Loan 2

has lower instalments so this may be useful where cash is short

has a lower nominal interest rate but this is offset by higher overall interest payments

### Any other reasonable comments

(e)

	Outstanding loan	Annual repayment	Interest on outstanding loan at 7.5%	Principal repayment	Balance outstanding carried forward
Year 1	\$5000.00	\$1922.69	\$375.00	\$1922.69 - \$375 = \$1547.69	\$5000 - \$1547.69 \$3452.31
Year 2	\$3452.31	\$1922.69	\$3452.31 x 7.5% = \$258.92	1922.69 – 258.92 = 1663.97	3452.31 - 1663.97 = 1788.54
Year 3	1788.54	\$1922.69	1788.54 x 7.5% = \$134.15*	\$1922.69 – \$134.15 = \$1788.54	1788.54 - 1788.54 = 0

\*Rounding to adjust



**(f) Dev's actions**

- Should contact the bank to advise of the “scam”
- Should definitely NOT follow the instructions on the email
- Should delete the email
- Any other reasonable comment

**(g) Security maximisation**

- Regularly change his password
- Not advise anyone else of passwords or pin numbers
- Do not write down passwords or pin numbers
- Always access the bank website through the internet rather than via an address embedded in an email
- Do not openly display pin numbers when accessing ATM's or EFTPOS machines
- Keep bank cards in a safe place

**(h) Security measures**

**1. Cheques**

- Never pre-sign blank cheques in your cheque book.
- (ii) Cross non-cash cheques “Not transferable” and cross out “or bearer”.
- Keep a record of the cheque amount, date and payee in your cheque book.
- Keep your cheque book in a safe place.

**2. Choosing a PIN number**

- Make sure the number you select is not your date of birth or any of the blocks of (ii) numbers on your card.
- Never write it down.
- Never disclose it to anyone including police, bank staff or your family.
- Use different pin numbers for different cards

**3. Security when using an ATM**

- Ensure you use a terminal that does not look as if it has been tampered with.
- Be wary of anyone offering assistance.
- Be wary of anyone attempting to watch you enter your PIN.
- Use your hands to block the view of those close by.
- If your card gets “swallowed up” or retained by the ATM let the Bank know immediately.

**4. Using a credit card**

- Ensure you check shop or “online” merchant is reputable and has a return and refund policy
- Print out or request a copy of the transaction for your records.

- **Don't throw away your copy of the transaction.**
- **Don't use your credit card as a form of identification.**
- **Always use a secure browser connection when entering credit card details online.**

### ***Class activities or short answer assessment***

#### ***Question Five***

##### **Comparison of bank fees**

Fareeza's review of her bank fees leads her to investigate the fees of another bank. She is attracted to an alternate bank because there are no monthly management fees. The fees structure for the two banks is as follows:

<b>Account Fees (per transaction except the management fee)</b>	<b>Current Bank</b>	<b>Alternate Bank</b>
Management fee	\$3.00 a month	\$0.00 a month
Access to phone banking	0.00	0.00
Automatic payments & direct debits	.25 cents	.30 cents
ATM withdrawals	.30 cents	.30 cents
Withdrawals from other bank's ATMs	\$1.00	\$2.00
Electronic bill payments	.25 cents	.30 cents
Payment by cheque	.55 cents	.50 cents
Manual deposits at the bank	\$2.00	\$3.00
EFTPOS transactions	.27 cents	.30 cents
Dishonour fees	\$35.00	\$25.00

- (a) Given the average number of transactions in a month that Fareeza has estimated, use the next table to calculate the monthly fees charged by her current bank and the alternate bank.

<b>Transaction</b>	<b>Number</b>	<b>Current bank</b>		<b>Alternate bank</b>	
		<b>Transaction Fee</b>	<b>Fareeza's Fee</b>	<b>Transaction Fee</b>	<b>Fareeza's Fee</b>
Management fee	1	3.00	3.00	0.00	0.00
Phone banking		0.00	0.00	0.00	0.00
A/P & D/D	8	.25	2.00	.30	2.40
ATM withdrawals	20	.30	6.00	.30	6.00
Other ATM use	3	1.00	3.00	2.00	6.00
Bill payments	5	.25	1.25	.30	1.50
Cheques	10	.55	5.50	.5	5.00
Manual deposits	5	2.00	10.00	3.00	15.00
EFTPOS	30	.27	8.10	.30	9.00
Total costs			38.85		44.90

(b) Explain why or why not it would be a good idea to change banks?

**Fareeza is currently paying less in fees at her current bank, so it would be more expensive for her to change to the alternate bank.**

(c) Regardless of your answer above, what three changes could Fareeza make to her banking habits to reduce her bank fees?

Possible fee reducing actions:

- **Avoid using other bank ATMs**
- **Avoid cheques and replace with electronic transactions**
- **Reduce ATM withdrawals by withdrawing cash when making EFTPOS payments at retailers**
- **Avoid manual deposits and use ATMs**
- **Avoid dishonour fees by managing bank balance**

### **Question Six – Research Activity**

#### **Select and justify a bank account**

Which bank account is best? It might suit you that your transaction account is held at one bank and your savings account is held at another bank. However, this makes moving money between banks a little more time consuming. You need to weigh up the costs and benefits for you personally.

The second stage of this activity is to decide on which is the better of two transaction accounts for the two families in the scenarios. You need to select and justify the most appropriate account for each of the given situations.

The first thing you will need to do is to identify the needs of the family to whom you will make the recommendation.

Once you have the family's needs' list, you will match the needs to the features and benefits of each account. Your aim is to identify what account best suits each couple's needs.

What benefits will they be looking for and what costs might they have to pay?

You might have some questions you'd like to ask them first before you make a final product recommendation.

#### **(a) Select and justify - Transaction accounts decision**

##### **Case study**

##### **Navin and Priya**

Navin and Priya are both 45 years old. They have two children aged 14 and 16. They have just migrated to Fiji and want to set up their transaction banking accounts. They intend to buy their own home (with the help of a mortgage).

Navin looks after the day-to-day spending.

He needs a full range of banking services as he is expecting to write a lot of cheques for the children's school and sports activities. He wants EFTPOS for the family shopping and occasionally will use an ATM.

Their main banking need is to have easy access to their money.

1. Make a list of Navin and Priya's needs.

- **Easy access to their money**
- **Cheque account**
- **EFTPOS facility**
- **Card access to an ATM**
- **Any acceptable answer.**

2. Decide what benefits they would like most.

**Student determined answers, but must relate to the benefits offered for each bank.**

3. Decide what they would prefer to pay for or don't mind paying for.

**Student determined answers, but must relate to the costs charged by each bank.**

4. Based on the information above, explain which account would best suit their needs and why.

**Student determined answers, but must relate to the relative merits or worth of the costs/benefits of each account in relation to their needs.**

**(b) Select and Justify – Transaction Accounts decision**

**Nirmala and Ahmed**

Nirmala and Ahmed are in their 30's, and own their own home with a mortgage.

They love to shop.

They are both earning above average incomes with no other debt.

They are not interested in standing in branch queues – they want all their banking needs to be available electronically.

They don't carry much cash.

Their main need is easy access to their funds 24/7, with the lowest fees possible.

1. Make a list of Nirmala and Ahmed's needs.

- **Easy access to their money 24/7**
- **Lowest fees possible.**
- **Easy access to electronic banking.**
- **Easy payment methods for shopping.**
- **Any acceptable answer.**

2. Decide what benefits they would like most.

**Student determined answers, but must relate to the benefits offered for each bank.**

3. Decide what they would prefer to pay for or don't mind paying for.

**Student determined answers, but must relate to the costs charged by each bank.**

4. Based on the information above, explain which account would best suit their needs and why.

**Student determined answers, but must relate to the relative merits or worth of the costs/benefits of each account in relation to their needs.**

### Question Seven

#### (a) Select and justify - Savings accounts decision

##### Case study

##### Navin and Priya two years on

Today, Navin and Priya are now 47 years old. Their two children are 16 and 18. Navin and Priya have big plans for their children's tertiary education. The 16 year old shows a real sporting flair, representing his school and district in hockey and cricket. The 18 year old hasn't decided on her career goals yet. However, Navin and Priya would like her to attend University.

Now that the children are older, Navin and Priya are thinking about their own future and how they want to maintain an active and social lifestyle. They have to balance the short and medium term needs of the children with their own long term goals, both financial and lifestyle.

1. Make a list of Navin and Priya's savings account needs.

**They need to save for some short/medium and some long term goals, so they want to earn high interest. They may need an account which allows them to deposit money on a regular basis for their regular savings, and then transfer to a higher earning longer term account.**

**They don't need their long term savings for a while yet, so they don't need access for withdrawals.**

2. Decide what benefits they would like most.

**Student determined answers, but must relate to the benefits offered for each bank.**

3. Decide what they would prefer to pay for or don't mind paying for.

**Student determined answers, but must relate to the costs charged by each bank.**

4. Based on the information above, explain which account would best suit their needs and why.

**Student determined answers, but must relate to the relative merits or worth of the costs/benefits of each account in relation to their needs.**

**(b) Select and justify - Case study**

**Nirmala and Ahmed**

Nirmala and Ahmed are planning a large wedding to take place sometime within the next year, followed by a three month world holiday starting in India.

They have specific ideas about how they want to enjoy their special day, and expect to travel first class and stay in the best resorts while away.

1. Make a list of Nirmala and Ahmed's savings account needs.

**They need a high interest earning account.**

**They need an account into which they can deposit regularly and which will discourage them from withdrawing money.**

2. Decide what benefits they would like most.

**Student determined answers, but must relate to the benefits offered for each bank.**

3. Decide what they would prefer to pay for or don't mind paying for.

**Student determined answers, but must relate to the costs charged by each bank.**

4. Based on the information above, explain which account would best suit their needs and why.

**Student determined answers, but must relate to the relative merits or worth of the costs/benefits of each account in relation to their needs.**

## Question Eight

### Banking Services and access and security mechanisms

- (a) Identify those banks and credit institutions that are physically present in your community. Provide contact or communication details. A credit institution in Fiji is a financial institution licensed by the Reserve Bank to accept long-term deposits and make loans as per their mandate.

Bank	Country of ownership	Retail shop front	0800 number	Web address
Credit institution	Country of ownership	Retail shop front	0800 number	Web address

- (b) What is the difference between a bank and a credit institution?

#### Teacher note

Go to and check information in this booklet

<http://www.reservebank.gov.fj/docs/Supervisory%20Booklet.pdf>

Extract from this booklet

Both commercial banks and credit institutions are doing 'banking business' if they:

1. Accept deposits of money from the public and use these funds for loans and investments; and
2. Engage in any other activity recognised by the Reserve Bank as normal banking practice, which a licensed financial institution engaging in the activities described above, may additionally be authorized to do by the Reserve Bank. The two main differences between a commercial bank and a credit institution are
  - Commercial banks accept three types of deposits – Savings, Demand (Cheque Account) and Time (Term Deposits) while credit institutions only accept Time Deposits; and
  - Credit institutions can only accept deposits of F\$1,000 or more.

The banks you have listed above offer general banking products and services.



- (c) Collect or access a range of information pamphlets or access websites to compile a list of banking terms. Use the information to fill out the following table.

Term	Description or Meaning
Transactional account	A cheque or similar account from which transfers can be made to third parties through cheques, drafts, online transfers, arrangements of standing orders, direct debits or payment via debit card.
Savings account	A bank account that accepts deposits and allows withdrawals and usually accumulates interest. Withdrawals cannot be made by writing a cheque.
Loan	An arrangement in which a lender gives money or property to a borrower, and the borrower agrees to repay the money or return the property, usually with interest, at a future point in time.
Mortgage (home loan)	This term is often loosely used to describe the loan provided for purchase of property. A mortgage is a document signed by a borrower when a home loan is made that gives the lenders the right to take possession of the property if the borrower fails to make loan payments.
Overdraft	An overdraft is an extension of credit by a lending institution to allow for circumstances when withdrawals exceed deposits. The customer is authorised, by agreement with the bank, to withdraw funds up to a specific amount in excess of their credit balance. Interest is usually charged on the fluctuating daily balance.
Term investment	A deposit lodged by a customer with a bank for an agreed period of time, on which the bank pays a set or advertised rate of interest. The time frame and the interest rate are often determined by the size of the deposit.
Credit card	A plastic card usually issued by a bank which enables customers to purchase goods and services on credit rather than pay by cash, cheque or EFTPOS. Customers receive a monthly statement on their credit transactions and will not usually be charged interest if the monthly account is paid in full by the due date. Credit cards may also be used to obtain cash advances.
Bill payments	A bill payment or customer initiated direct debit is a means of payment available through telephone banking. It differs from a direct debit in that the customer (rather than the company in receipt of payment) initiates the electronic debit from their account to the payee's account. Before a payment can be made, the customer must register the organisation or person involved as a payee by supplying the bank with the appropriate bill details and/or payee's bank account number.
Transfer	This can be a simple movement of your own money from one bank account to another, but they can also be a method of making payments in which the payer may make a payment at any branch of any bank for the account of a payee with an account at any branch of the same or another bank.

- (d) Many retail outlets allow the customer to pay by credit card or EFTPOS and make cash withdrawals using EFTPOS. Give examples from the following types of retail outlets in your community which allow you to do this.

Retail outlet	Retail outlet name	Accepts EFTPOS	Accepts credit cards	Accepts EFTPOS and allows cash withdrawals
Supermarket				
Department store				
Travel agent				
Chemist				
Petrol station				
Clothes shop				
Sports shop				
Music shop				

- (e) There are a number of specialised and/or ancillary products and services offered by banking institutions. Banks offer all sorts of services which are also offered by other financial institutions that are not banks.

Service	Brief description	Also offered by
Insurance	<b>Payment of a premium (a set sum of money) for the promise of compensation for specified potential future losses (e.g. to property, life, or one's person).</b>	<b>Insurance companies</b>
Foreign exchange	<b>A system by which one currency is exchanged for another, enabling international transactions to take place.</b>	<b>Other foreign exchange outlets e.g. Travelex</b>
Safety deposit	<b>A service (which you pay for) where you can store important documents and other items of value.</b>	<b>Personal safe at home.</b>
Specialised advice	<b>Provision of expert financial counsel, financial planning information or financial advisory services.</b>	<b>Professional financial advisors, sometimes independent, sometimes employed by a financial institution.</b>
Retirement savings	<b>Personal savings put aside specifically for use in retirement.</b>	<b>Most financial institutions offer retirement savings options.</b>

- (f) What do people in your community look for when they choose a bank? Conduct some research among your friends, family and general community and record the results in a bar graph. Alternatively write a paragraph about Customer's banking requirements.

Your need			
Does the bank offer internet and mobile phone banking?			
Are there incentives for saving?			
Full range of traditional banking services			
Likelihood of getting a loan or overdraft			
International/foreign currency facilities			
Availability of other products, e.g. KiwiSaver			
Will they negotiate terms?			
Is it easy to access the traditional facilities e.g. APs			
Level of risk depositing your money? (are they government guaranteed in a crisis)			
Add-ons e.g. money boxes, wallets, access to sport fixtures at cheaper rates.			
Parking available nearby or the branch under cover in a mall			
Other services such as safety deposit box			
The interest rate you receive on your accounts			
The ability to access your account 24/7			
Location of the ATMs (or bank branches)			
Whether or not you get personal service			

- (g) Text, internet and telephone banking are more recent developments in the banking industry. Uptake has demonstrated their popularity.

1. List two advantages of operating an internet banking facility.

- **The customer can operate their bank accounts at any time from any place as long as they have access to the internet.**
- **An account can be operated easily from overseas.**
- **Time is saved as customers can carry out transactions in their own time.**

2. List two disadvantages of internet banking.

- **Security of the transactions is in the hands of the bank**
- **Some transactions may not be available**
- **The customer's internet connection may be disrupted or break during a transaction.**

- **A problem that occurs may not be able to be solved as the bank may not be currently open for personal or phone business, e.g. “after hours”.**
- 
3. List two advantages to customers for setting up phone banking if they already have internet banking.
- **Some transactions are not available via internet banking e.g. foreign exchange transactions.**
  - **By contacting a bank using phone banking the customer is already identified to the bank so time is saved.**
- 
- **Sometimes customers wish to speak to bank personnel to resolve problems they have.**
- 

(h) Access mechanisms and security issues

Many people have or know someone who has had a “bad experience” story about access or security. The use of banking products and services places responsibility on the consumer for their correct use.

### **Access mechanisms for general banking products**

There are a number of ways you can access banking products. Each one is different in terms of cost depending on which type of account you have.

Describe each of these banking products and services.

#### 1. EFTPOS

**This stands for “Electronic Funds Transfer (at) Point Of Sale”. It means customers pay money (transfer) from their account to the merchant or retailer’s account electronically while still in the shop (i.e. at the point of sale). To use this technology, customers must have a special plastic card that is the “key” to their account and will allow them to access their money from retailers’ terminals (i.e. at their shops).**

---

#### 2. Internet banking

**Internet banking is a term used to access your account and for performing transactions, payments etc. over the Internet through a bank, credit union or building society's secure website.**

---

#### 3. Telephone banking

**Telephone banking is a service provided by a financial institution which allows its customers to perform transactions over the telephone. This normally includes bill payments for bills from major billers (e.g. for electricity).**

---

#### 4. Text banking

**The text banking service enables customers to retrieve information about their accounts, check account balances, get mini bank statements, transfer funds between accounts and pay bills from a**

---

**mobile phone through text messaging.**

---

5. Branch staff

**Branch staff work at a retail location where a bank or financial institution offers a wide variety of face to face service to its customers.**

---

6. Automatic Teller Machine (ATM)

**An ATM is an electronic terminal where customers can use a card and a personal identification number (PIN) to operate their accounts. Functions may vary between ATMs but most can be used to withdraw (cash, transfer funds between accounts and check balances.**

---

7. Cheques

**An unconditional order in writing to a bank by its customer requiring the bank to pay a specified sum to a specified person or to the bearer. A cheque becomes “stale” and will normally not be paid if it is presented more than six months after the date written on it. A “non transferable” cheque provides the greatest protection if it is lost or stolen.**

---

**Question Nine**

Ask around your friends, family, neighbours, or workmates to find a security issue or access mechanism “story”. The emphasis is not on the dollar amount but on the experience.

(a) Record what happened in relation to:

- The event
- Why it happened
- What type of account the transaction related to
- What kind of access or security situation was involved
- What the person did, or should have done, especially with regard to security measures
- How the person felt or understood the outcome
- Any changes the person would make if s/he was in a similar situation again.

(b) Write a paragraph on “Lessons Learned.”

(c) What are the key ideas you want to remember from these stories?

### Question Ten

Create your own list of “Do’s” and “Don’ts” related to security and access from the experiences, resulting from your research.

**Some possible answers.**

Do’s	Don’ts
Sign the back of your card as soon as you receive it. Destroy old ones.	Give your cards, PINs or passwords to anyone else, not even friends or family.
Keep your cards safely and check them regularly.	Use a PIN or password that your bank advises is unsuitable.
Take care in signing your PIN or password so that it stays your secret.	Use the same PIN or password for different cards.
Tell your bank immediately if you discover your card is lost or stolen, or your PIN or password disclosed (thieves move fast).	Write your PIN or password down.
Keep your transaction records to check against your statement.	Use telephone or online banking services in public places where someone else may have access to call records.
Think about the risk of disclosing your card details against future delivery of goods or services.	Agree to card transactions which leave open the amount of payment.
Ask your bank for advice if you are having trouble remembering your PIN or password.	Leave your card behind!
Keep a separate record of your card numbers and details – safely.	Pre-sign cheques or give a blank cheque from your chequebook to another person
Check your bank’s website for internet security information.	

The above is not an exhaustive list – check individual banks’ websites for further details.

### Question Eleven

For each of the following products and services, give an example of the security device required for their access. Bank websites will have an extensive list of options.

Product/service	Security for access
EFTPOS	PIN number
Internet banking	Access code and password
Telephone banking	Access code and password
Text banking	Secure code required
Branch staff	EFTPOS card or personal ID information e.g. driver’s licence
Automatic Teller Machine (ATM)	PIN number
Cheques	Signature verification/ personal ID

## ***Question Twelve***

### **Bank fees**

The banks are businesses and make money

- Through the differential between interest charged to customers for lending and interest paid out to depositors.
- By charging fees and other costs for banking products and services.

Evaluate the costs you will pay against the benefits you will get from your personal bank accounts.

Here are some banking fees/costs that you may have to pay for.

Describe each of these banking fees or charges.

- Monthly account base fee
- Transaction fees
- Extra fee for using another bank's ATM
- TXT banking fees
- Telebanking transaction fees
- Internet banking fees
- Automatic payment establishment/ alteration
- Dishonour fees
- Interest charges
- Credit card annual fee
- Overseas ATM fee
- Overdraft establishment fee

### Question Thirteen - Research

Transaction accounts and Savings accounts

This is a two step project. The purpose of the first step of this research project is to evaluate the costs and benefits of two types of existing bank accounts.

(a) Step One

1. Choose two of Fiji's banks (as registered on the Fiji Reserve Bank website ([www.reservebank.gov.fj](http://www.reservebank.gov.fj))).
2. Record the benefits and the fees (costs) that apply to their transaction accounts.
3. Record the information on the Transaction Account Comparison table.
4. Evaluate the alternatives in terms of their costs and benefits for the two Transaction Accounts.

#### Transaction accounts

Bank (A)	Bank (B)
<b>Preferred benefits</b>	<b>Preferred benefits</b>
<b>Least annoying costs</b>	<b>Least annoying costs</b>

On balance, the preferred bank is

because



(b) Step Two

1. Choose two banks (can be the same banks or different banks) to repeat this activity for the Savings Account Comparison table.
2. Record the information on the Savings Account Comparison table.
3. Evaluate the alternatives in terms of their costs and benefits for the two Savings Accounts.

**Savings accounts**

Bank (A)	Bank (B)
<b>Preferred benefits</b>	<b>Preferred benefits</b>
<b>Least annoying costs</b>	<b>Least annoying costs</b>

On balance, the preferred bank is

because

### Transaction Account Comparison

	Bank	Bank
Benefits	Account	Account
Costs		

### Savings Account Comparison

	Bank	Bank
Benefits	Account	Account
Costs		

## 4.6 Assessment for Economics Learning Outcomes - Form Five

- ***Business and the Accounting System (Course content Section 5.9)***

### **Personal financial planning**

- (a) Investigate possible income shocks/disruptions to earning an income and prepare a response.
- (b) Analyse how external factors such as economic, socio-cultural, regulatory factors, can affect income, and career potential.
- (c) Analyse life styles possible at different income levels.
- (d) Explain the effect of inflation on income.
- (e) Use a financial or online calculator to determine the future income needed to maintain a current standard of living.
- (f) Identify the factors that affect net worth.
- (g) Calculate and analyse a person/family's net worth.
- (h) Analyse the income value of intangible assets.

### **Assessment examples**

#### **Multi choice questions**

1. Vaiti pays \$10,000 off her mortgage over a year. All else being equal, over that year, Vaiti's net worth will have
  - (a) Stayed the same
  - (b) Increased
  - (c) Decreased

**(answer – b)**

2. Esekia owns only a house worth \$180,000 that has a mortgage of \$80,000. He has no other assets. The only way he can increase his net worth is to pay some more off the mortgage.
  - (a) True
  - (b) False

**(answer – a)**

3. Elesi is calculating her net worth. Five years ago she had bought some shares for \$5,000 which are now worth \$9,000. Which value should she use to calculate her net worth?
  - (a) \$5,000
  - (b) \$9,000.

**(answer – b)**

4. Which of the following is an asset?
- (a) Mortgage for a house
  - (b) Hire purchase for your sports equipment
  - (c) Loan from parents for studying
  - (d) Money you lent to your brother to buy his rugby gear

**(answer – d)**

5. Your net worth is
- (a) The difference between your expenditure and your income
  - (b) The difference between your liabilities and your assets
  - (c) The difference between your cash inflow and cash outflow
  - (d) The difference between your borrowing and your savings
  - (e) None of the above

**(answer – b)**

6. The best description of personal financial planning is
- (a) Examination of your investment portfolios to maximize returns
  - (b) Establishment of an adequate financial record keeping system
  - (c) Preparation of plans for future financial needs and goals
  - (d) Development of a sound yearly budget of expenses and income

**(answer – c)**

7. What would increase Meli's net worth?
- (a) Increasing the amount of the mortgage on the house
  - (b) Spending more money on entertainment so he feels popular
  - (c) Buying computer equipment on hire purchase
  - (d) Putting his wages into his bank account.

**(answer – d)**

8. Which of the following is an intangible asset?
- (a) Your health status
  - (b) Your credit card
  - (c) Your future commitments
  - (d) Your own business

**(answer – a)**

9. How would Nirmala build up her net worth?
- (a) Buy a car using a loan
  - (b) Change a bank account from one that doesn't earn interest to one that compounds interest.
  - (c) Borrow an expensive piece of jewellery
  - (d) Use her credit card for all her purchases.

**(answer – b)**

10. Bale has a motor bike (\$2,000), which he bought using hire purchase (\$1,500), a sound system (\$1,000), a loan from his parents to buy it (\$800), cash in a bank account (\$200), mobile phone (\$600) now only worth \$300, sports equipment (\$300) which he is about to sell, some Christmas savings in a jar (\$150), and he owes the local grocery store (\$20).

Calculate Bale's net worth.

- (a) \$1630
- (b) \$4250
- (c) \$1930
- (d) \$1330

**(answer – c)**

### **Question One - Research project**

Investigate possible income shocks/disruptions to earning an income and prepare a response.

Income shock/disruptions are often just around the corner. We would be wise to anticipate our response to such shocks and have contingency plans in place.

Here is a list of examples of possible disruptions to earning an income.

- Travel
- Employment interruption / change (e.g. redundancy, being fired, promotion, change in hours, maternity leave)
- Relationship change (e.g. marriage, separation, divorce)
- Family circumstances change (e.g. having a baby, changing roles within the family, serious accident or illness, financial gain/windfall).
- Changes in income tax rates

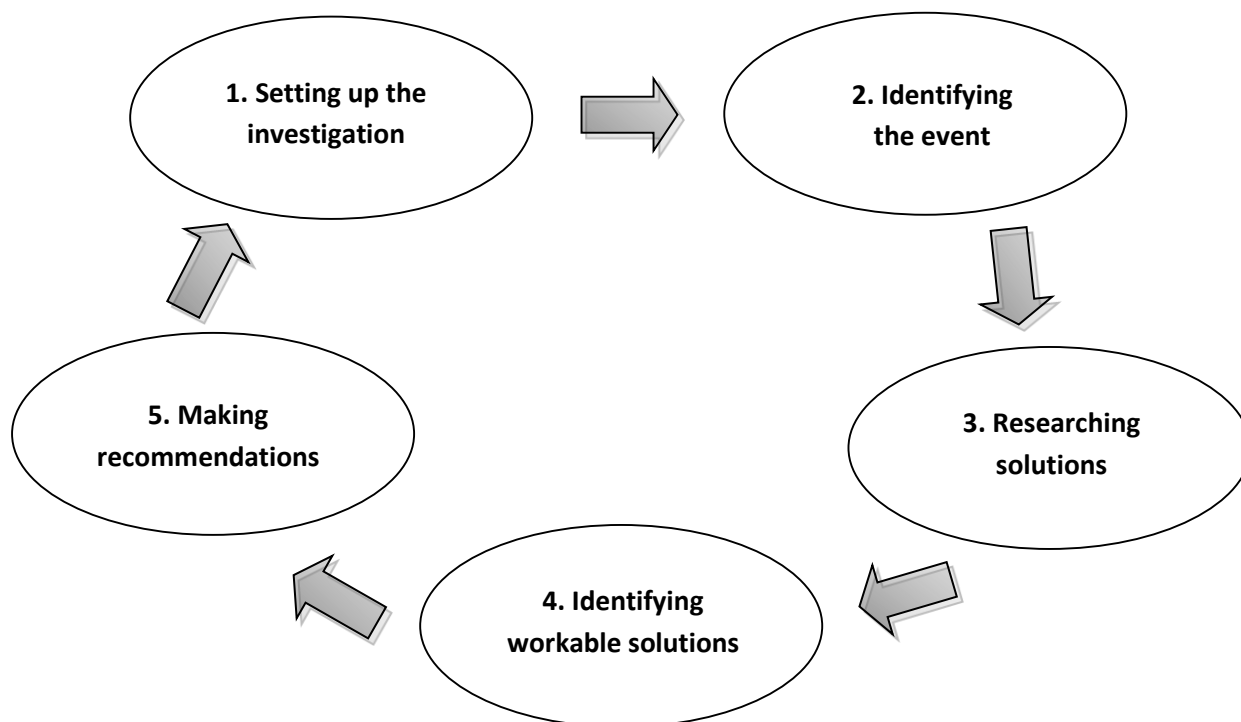
### **Assessed activity**

- (a) Choose an example of an income shock or disruption and research its impact on members of your immediate family and community.
- (b) Identify the factors which may influence the family's response to the income shock or disruption such as changes in income levels, family situation, personal values, beliefs, obligations and priorities and how they are affected by the income disruption event/factor.
- (c) Investigate possible solutions for how these shocks or disruptions could be managed to ensure the family can remain financially secure.
- (d) Provide a justified recommendation.
- (e) Present your findings to the class.

**Note:** this investigation can be assessed as a Common Assessment Task (CAT). There must be criteria or guidelines for a national marking scheme before this is agreed as a CAT.

Use the investigation process below.

### Investigation Process



### Investigation phases

#### 1. Asking questions

This phase is about setting the parameters for the activity (assessment rules) and for the process (what the students are expected to do). It is the main information-giving (teacher directed) component. At this stage, what will be assessed, the marking criteria and schedule must be notified or agreed. The teacher outlines the nature of the investigation and the rules that will apply, such as how to go about the investigation and the maximum amount of time allowed. The students form teams or pairs to complete the activity (suggested team maximum size is no more than four students).

**Students complete the phase one sign-off sheet (Template One).**

This commits them to an agreement about their choice of income disruptions about which they will conduct their investigation and what the parameters of the investigation will be.

#### 2. Identifying the income shock or disruption factors.

Students undertake a brainstorming exercise to plan the scope of their investigation. In pairs or teams, they look at options for finding out what they already know about the income shock factors and what they need to

know. They will identify the “who, what, where and when” questions to ask. They will identify possible criteria for accepting a solution to the factor/event, e.g. would the solution be acceptable to people, is it workable (physically possible), is the technology in place to make it happen etc?

**Students complete the phase two sign-off sheet (Template Two).**

### 3. Researching possible solutions.

The students ask their prepared questions of the chosen participant/s. Answers are recorded. Students check that the questions they have asked enable them to meet the investigation brief. A minimum of **two** identified solutions is required.

**Students complete the phase three sign-off sheet (Template Three).**

### 4. Identifying workable solutions

Students identify the factors which may influence the family’s response to the income shock or disruption, such as changes in income levels, family situation, personal values, beliefs, obligations and priorities. They identify how the family is affected by the income disruption event/factor. Answers are recorded. Students then analyse the answers to Part 3 above to determine some possible solutions to the income disruption factor/event they have been investigating. For each income disruption factor/event, select a minimum of two solutions.

**Students complete the phase four sign-off sheets (Template Four).**

### 5. Making recommendations

Students reflect on their analysis and make decisions about the best possible options, using the criteria identified in phase two. They also evaluate the benefits and costs of a non-financial nature which could impact on the decision.

**Students complete the phase five sign-off sheet (Template Five).**



## Assessment marking

### Pair/team assessment

1. Handing in each sign-off sheet (two marks per completed sheet)	10%
2. Income disruption factors identified and impact explained	20%
3. Factors which influence members of the community's decision-making identified	20%
4. Investigation results solved the financial issues identified and show linked to financial security	20%
5. Justified recommendation	10%
6. Pair/team presentation	20%

### Suggested teacher marking structure for Parts 2-5

(0-5 marks per question – then weight based on above percentages)

0 = answer not submitted

1 = provided an answer, but it showed little effort and/or no understanding of the topic

2 = showed a beginner level of knowledge and skill

3 = showed capability, has an understanding of the idea but is unable to explain in any detail

4 = showed competency and able to place in context

5 = showed advanced level of competency.

Each student is required to submit a personal reflection sheet.

#### Teacher note:

You may wish to have students complete a response to Parts 2-5 individually and group mark Parts 1 and 6

## Template One

### Sign-off Sheet – Phase One

#### Setting up the investigation phase

##### Team name and members

Team name:

(Broad) Income disruption factor chosen: (list from given examples e.g. travel, change in income tax rates)

We will be marked on:

Team and leader (name) signature

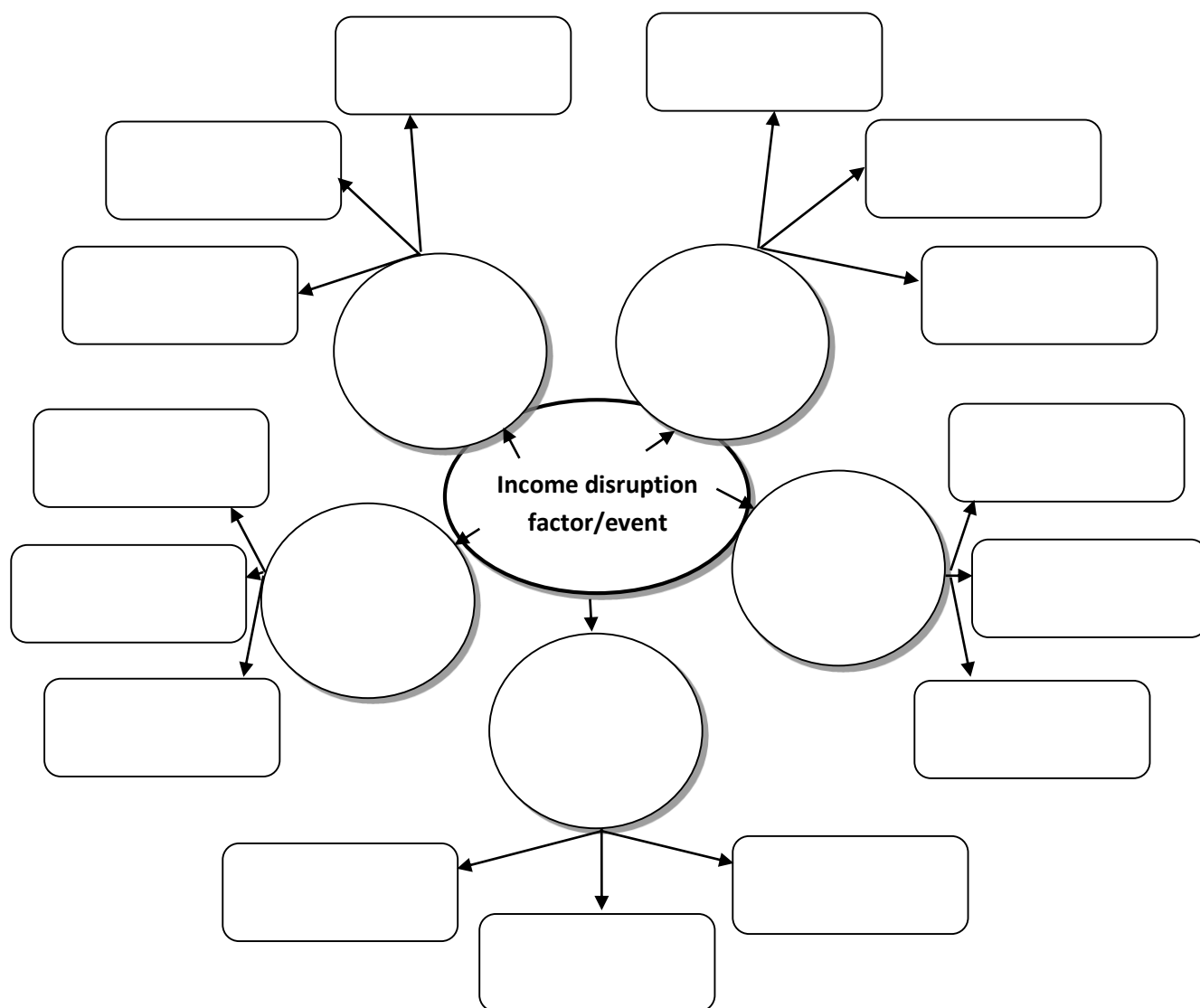
Teacher signature

## Template Two

### Sign-off Sheet – Phase Two

#### Identifying the specific income disruption factor/event phase

##### Brainstorm mind map



Team and leader (name) signature

Teacher signature

**Template Three**  
**Sign-off Sheet – Phase Three**  
**Researching possible solutions phase**

**Income disruption factor/event identified from brainstorm (minimum of two)**

<b>Factor/event 1</b>	<b>Factor/event 2</b>

**Questions to ask the family/community chosen to identify solutions to manage the income disruption factor/events**

<b>Question 1</b>	
<b>Question 2</b>	
<b>Question 3</b>	
<b>Question 4</b>	
<b>Question 5</b>	
<b>Question 6</b>	

**Signed**

**Team and leader (name)**

---

**Signature**

**Teacher Sign-off**

---

**Template Four**  
**Sign-off Sheet (1) – Phase Four**  
**Researching possible solutions phase**

**Factors which influence the family/community's decision-making**  
**(e.g. income levels, family situation, personal; values, beliefs, obligations, priorities)**

<b>Influence</b>	<b>Explanation how it can influence decision-making</b>

**Template Four**  
**Sign-off Sheet (2) – Phase Four**  
**Researching possible solutions phase**

**Solutions identified to solve the problem**

Problem to solve	Solution
1.	
2.	

.....  
**Team and leader (name) signature**

.....  
**Teacher signature**

## Template Five

### Sign-off Sheet – Phase Five

#### Making recommendations and evaluations phase

Solutions to problem	Recommendation(s)
1.	
2.	
<b>Non-financial benefits</b>	<b>Non-financial costs</b>

.....  
**Team and leader (name) signature**

.....  
**Teacher signature**

.....

### **Short answer questions.**

#### **Question Two - Life income shocks**

The following are some possible events that may occur in a lifetime.

Explain what the possible financial consequences would be of these events.

Suggest strategies that could be put in place to reduce the consequences of these risks.

Possible events	
Relocation to another town	Financial consequences of the event. Incur costs to:
	<ul style="list-style-type: none"> <li>Relocate household and family from one town to another.</li> <li>Sell one house and buy another</li> <li>Relocate children to new schools, e.g. new uniforms</li> <li>Rent a house until a permanent one is found</li> <li>Establish new transport arrangements</li> <li>Other reasonable costs</li> </ul>
	Possible strategies
	<ul style="list-style-type: none"> <li>Have money set aside to pay for relocation costs</li> <li>Negotiate payment of relocation costs by employer</li> <li>Rent out existing house until a new one is found</li> </ul>
Unemployment	Financial consequences of the event
	<ul style="list-style-type: none"> <li>Loss of income for unspecified time</li> <li>Reduction of savings by living on them</li> </ul>
	Possible strategies
	<ul style="list-style-type: none"> <li>Take out income protection insurance</li> <li>Build up a fund to be used in an emergency such as this</li> <li>Live off savings while adjusting to new circumstances</li> <li>Use savings to change career e.g. start a business</li> </ul>
Long term illness of a dependant relative	Financial consequences of the event
	<ul style="list-style-type: none"> <li>May need to reduce work hours to support relative</li> <li>May need to pay for treatment, medication</li> <li>May need to alter house to accommodate relative e.g. single storey house/ flat</li> </ul>
	Possible strategies
	<ul style="list-style-type: none"> <li>Change workload or job to suit new circumstances</li> <li>Use savings to "support" relative</li> <li>Take out medical insurance to assist with such an occurrence</li> <li>Mortgage house to pay for alterations</li> </ul>



Possible events	
Marriage of a daughter	Financial consequences of the event
	<ul style="list-style-type: none"> <li>• <b>Maybe an expensive wedding</b></li> <li><b>Any other feasible consequence</b></li> </ul>
	Possible strategies
	<ul style="list-style-type: none"> <li>• <b>Set aside funds from time of daughter's birth to pay for this eventuality</b></li> <li>• <b>Establish some form of investment scheme that will mature at the appropriate time.</b></li> <li><b>Any other feasible strategy.</b></li> </ul>

### Question Three - External factors affecting income

For each of the external factors that could affect income

- Identify a possible impact on current income
- Identify a possible impact on the future income or spending potential
- Describe a possible contingency plan

### Scenarios

- Fiji personal income tax rates increase.
- New technology in the information and communication sector (where you work) leads to an increase in profitability.
- Major crop failure in the northern hemisphere causes a major food shortage.
- Fiji wins the right to host a major regional sporting event.
- VAT increases on all goods.
- Gold and oil are discovered in Fiji. This leads to large investment in the Fiji economy and more jobs.
- Banks increase borrowing costs. Your mortgage is fixed term for 2 years so no change in repayments.
- A new pest in Fiji harms main agricultural crops.
- An outer island in the Fiji group experiences a tsunami.
- A particular ingredient in dalo is discovered to have health benefits.

Scenario	(a) Possible impact on current income	(b) Possible impact on future income or spending potential	(c) Possible contingency plan (Plan "B")
1.	<b>Net income decreases, which means there is less to spend overall.</b>	<b>Reduced standard of living. Difficulties meeting cultural obligations</b>	<b>Reorganise budget. Discuss with family how to cut down some expenses. Find ways to make less income go further.</b>

Scenario	(a) Possible impact on current income	(b) Possible impact on future income or spending potential	(c) Possible contingency plan (Plan “B”)
2.	Wage increase as your employer shares the impact on the business.	Increased standard of living, as you have more income to spend.	Ensure you keep up with the technology changes so that you are not left behind and are not made redundant in the future.
3.	Imported food more expensive, causing some pressure on food spending	Opportunities for your village to export more food and for increases in village income from increases in prices	Need to make sure your village grows what the rest of the world wants to buy and in what form it wants to buy it. Need to use the opportunity to secure long term future of food exporting.
4.	Your area benefits from an increase in tourism, so there are increased opportunities to earn income.	The event puts Fiji on the map from a tourist potential. Long term income increases expected.	Need to save the extra income earned during the event in case the tourism increase is only temporary.
5.	All goods and services increase in price, which means income does not go as far. Cutbacks to discretionary items and maybe some essential items.	Reduced standard of living. Difficulties meeting cultural obligations	Reorganise budget. Discuss with family how to cut down some expenses. Find ways to make less income go further.
6.	Increase in employment means more spending in the economy overall. More people in your family employed?	More food and housing required, especially if there are many people brought in from overseas.	Need to consider how long the boom will last for. Take the opportunity to set up long term savings funds.

Scenario	(a) Possible impact on current income	(b) Possible impact on future income or spending potential	(c) Possible contingency plan (Plan “B”)
7.	<b>No change in mortgage repayments.</b>	<b>Keep an eye on interest rate changes so that you can be ready for your mortgage commitments in two years time.</b>	<b>Save some extra and aim to pay off an extra lump sum when the fixed term mortgage becomes due. You will have to borrow less next time. Especially important if interest rates stay up.</b>
8.	<b>If you are a grower or planter your income decreases. For other citizens, local foods go up in price. Cutbacks to discretionary items and maybe some essential items.</b>	<b>Potentially reduced standard of living. You may switch to imported food which is more expensive. Potential difficulties meeting cultural obligations</b>	<b>Reorganise budget. Discuss with family how to cut down some expenses. Find ways to make less income go further.</b>
9.	<b>Support required for the island population. Relatives may come to live with you.</b>	<b>Cultural obligations require funding.</b>	<b>Reorganise budget. Discuss with family how to best support relatives and cut down some expenses. Find ways to make less income go further.</b>
10.	<b>Planters – increased demand for their crops. Other citizens may start growing more dalo. Both receive increased income. Potential shortage in the short term as dalo exports increase.</b>	<b>More people switch their crops to dalo and increase income.</b>	<b>Need to consider whether the boom is permanent. Take the opportunity to set up long term savings funds.</b>

#### **Question Four - Paragraph writing**

Students write a half page on the impact of a chosen external factor on their family's finances.

#### **Question Five - Research the following scenarios.**

Different lifestyles are possible at different income levels.

- Estimate the income range to meet the following lifestyle circumstances.
- What lifestyle is possible if the situation changes?

1. Daurewa family. Income level required? .....

The family has a family of four (two adults, two teenage children). They want to:

- (a) Eat out at a restaurant at least once a week.
- (b) Entertain at least once a month.
- (c) Have an overseas holiday to the USA or similar once a year.
- (d) Buy a new car every second year.

Describe the lifestyle possible if the family income falls by 50%.

2. Lutua family. Income level required? .....

The family has four primary school aged children. They like to:

- (a) Make four trips a year to see their parents on another island.
- (b) Send 5% of their income back to their parents.
- (c) Make sure all their church obligations are met.
- (d) Live a modest lifestyle but wish to ensure their children have all their school needs met.

Describe the lifestyle possible if the family income increases by 20%.

3. Sharma family. Income/savings level required? .....

The couple are retired with no children at home. They own their own home and have their FNPf savings to help support them.

They would like to

- (a) Have Pay TV
- (b) Be involved in village affairs
- (c) Visit their children and grandchildren who live three hours' travel (by land) away.
- (d) Buy new clothes and house appliances when they need them.

Describe the lifestyle possible if one of the retired couple suddenly needs additional medication to live (\$1000 a year extra costs).

4. Prasad family. Income/savings required? .....
- One income couple with no children. Currently living with parents. First child due shortly.
- They would like to
- (a) Buy their own home
  - (b) Afford to run their three year old car
  - (c) Be set up for their new child
  - (d) Set up a savings scheme for education costs for their new addition.

Describe the lifestyle if both parents are able to work, because one of the grandparents undertakes free child care.

### **Question Six - The effect of inflation on income**

- (a) Explain the effect of inflation on income.

**If the rate of inflation is higher than the rate of income (wage) increases, there is a reduction in purchasing power. That means that the wage earner can buy less with the increased wages than s/he could the previous year. If the rate of income increase is higher than the rate of inflation, the wage earner can buy more than in the previous year.**

- (b) Use the table below to identify whether or not a wage earner is better or worse off for each of the following years: Explain your answer for each year.

Year	% change in inflation (annual)	% change in income (wages) (annual)	Better or worse off or no change	Reason
1	2%	0.6%	<b>Worse</b>	<b>Inflation higher than wage rises.</b>
2	5.2%	5.3%	<b>Better</b>	<b>Wage rises higher than the rate of inflation</b>
3	7.0%	7.5%	<b>Better</b>	<b>Wage rises higher than the rate of inflation</b>
4	1.8%	2.8%	<b>Better</b>	<b>Wage rises higher than the rate of inflation</b>
5	5.2%	3.1%	<b>Worse</b>	<b>Inflation higher than wage rises.</b>
6	4.5%	2.5%	<b>Worse</b>	<b>Inflation higher than wage rises.</b>

- (c) Assume that wages increased by the same rate as the rate of inflation. Read the (landscape) table below – Fiji Bureau of Statistics, 8.1 Consumer Price Index: National. Explain if you would need to adjust your spending on the following items in each of these years. How would the adjustment be made?
- (d) For the following assessment, assume that wages increased by the same rate as the rate of inflation. Use the (landscape) table below – Fiji Bureau of Statistics.

For each year identify the two areas of spending that have increased the most in percentage terms. What effect would these specific increases have on income?

- (e) The assumption in (c) has been made that wages rose at the same rate as the rate of inflation. Find out what the actual wage rise was for each of the years 2006 – 2010. Recalculate the inflation effects of the relative individual areas of spending.

***Fiji Bureau of Statistics - Key Statistics: September 2011***  
***Prices***

**8.1 Consumer Price Index: National**

**Percentage Change on corresponding period in previous year**

Section		All Items	Food	Alcoholic Drinks & Tobacco	Housing	Heating & Lighting	Durable Household Goods	Clothing & Footwear	Transport	Services	Miscell- aneous
Weight		1000	402.9	54.2	99.3	92.2	21.2	29.6	162.4	86.3	51.9
Annual Average	2006	2.5	1.8	2.5	2.5	6.6	1.8	1.4	4.4	1.3	2.9
	2007	4.7	9.8	4.0	2.9	-0.9	2.5	2.9	0.4	1.5	7.7
	2008	7.7	11.4	4.0	0.9	12.2	3.6	2.1	12.4	0.4	9.2
	2009	3.7	6.7	6.9	1.5	-5.3	10.4	3.8	-0.7	1.6	10.7
	2010	5.5	4.1	4.6	0.7	5.2	6.0	4.1	15.0	1.7	7.3

(Source: [http://www.statsfiji.gov.fj/Key%20Stats/Prices/8.2%20CPI\\_national.pdf](http://www.statsfiji.gov.fj/Key%20Stats/Prices/8.2%20CPI_national.pdf))

**Answers for (d)**

Year	Items	Effect on spending patterns
2006	Heating & Lighting Transport	Potentially cut back on heating and lighting spending or spend less on something else. Potentially cut back on transport costs spending or spend less on something else.
2007	Food Miscellaneous	Food is an essential item, but maybe change pattern of type of foods bought or purchase less. If the decision is made to maintain food spending patterns, cut backs will need to be made elsewhere. Miscellaneous is often non-essential items, so spending on these may be able to be reduced.
2008	Food Transport	As above As above
2009	Household durable goods Miscellaneous	Delay purchase of durable goods item by saving up for longer. As above
2010	Transport Miscellaneous	As above As above

(e) What does your income need to do to make sure that your current standard of living is maintained.

**The changes in your wages need to equal or exceed the rate of inflation.**



## Case studies

### Question Seven - Net worth.

Jonah is a high school student who lives in Nadi. He has a part time job earning \$80 per week but is thinking about getting a second job on the weekends if it does not affect his school work too much. His aim is to attend University as he is keen to study for a sports qualification. Recently he purchased a racing bike for \$1500 with the help of a \$400 loan from his parents. He still has \$170 in his bank account and \$80 cash not yet banked from his wages. He owes his best friend \$20.

As well as being a keen cyclist, Jonah belongs to the local sailing club. He is thinking of approaching Sam, his neighbour, to see if he could get a part time job at the boatbuilding yard where Sam is the supervisor. Sam advised him to focus on his school work and his existing part-time job. However, Sam also suggested he review his financial situation and also seek some budget advice.

Questions.

- Using the case study information, calculate Jonah's net worth.
- Name two possible tangible assets Jonah may have which are not included in the case study above.
- Name two intangible assets Jonah could have but are not included in the case study above.

## Answers

### Jonah's net worth

Assets (owned)		Liabilities (owed)	
Racing bike	\$1500.00	Loan from parents	\$400.00
Bank account	\$170.00	Debt to friend	\$ 20.00
Cash on hand	\$80.00		
Total:	\$1750.00	Total:	\$420.00
Net worth = \$ 1750 - \$420 = \$1330			

### Question Eight - Net worth

Tara is in her final year at university and lives at home with her parents, as she wants to keep her tertiary loan to a minimum. Currently her loan is \$5,000. She has two part time jobs to help supplement her costs. She has \$4,000 on term deposit earning 6% a year.(interest is paid annually). She also has \$325 in her current account at the bank which does not earn interest. In case of emergency, Tara always carries \$100 cash in her wallet. Her credit card has an outstanding balance of \$130. Tara estimates that her clothes and personal belongings, including her university textbooks, have a value of \$2,000. Her parents are supporting her by not charging her any board while she is studying.

#### Questions.

- Using the case study information, calculate Tara's net worth.
- Identify two tangible assets which Tara may own but she forgot to mention.
- Name two intangible assets which Tara may have but are not referred to in the case study.

(a) Tara's net worth

Assets (owned)	Amount \$	Liabilities (owed)	Amount \$
Term deposit	4000.00	Tertiary Loan	5000.00
Current Bank account	325.00	Credit card	130.00
Cash in wallet	100.00		
Clothes, textbooks	2000.00		
<b>TOTAL</b>	<b>\$6425.00</b>		<b>\$5130.00</b>

$$\text{Tara's net worth} = \$6425 - \$5130 = \$1295$$

(b) Other tangible assets

- Jewellery
- Any sports or music gear
- DVD collection, other Bank accounts.

(c) Possible intangible assets.

- Earning potential.
- Social networks/support.

- Job satisfaction.
- Good health.

### Question Nine - Analysing relative net worth

Nacanieli is a sole proprietor of an electronics equipment store. He takes an income from the business of \$45,000 a year.

Hosea is employed at the local college as a teacher. His annual income is \$18,000.

Nacanieli's balance sheet		Hosea's balance sheet	
Assets:	\$	Assets:	\$
Cash at bank	25,000	Cash at bank	5,000
Term investment	40,000	Term investment	5,000
Shares	15,000	Shares	1,000
Other investments	33,000	House	180,000
Business capital	200,000	FNPF	
Physical assets	450,000		100,000
Liabilities:		Liabilities:	
Mortgage	400,000	Mortgage	65,000
Loan	150,000	Credit card debt	2,500
Credit card debt	25,000		

### Questions

- Calculate the net worth for Nacanieli and Hosea.
- Provide a possible explanation for why there are differences between Nacanieli's and Hosea's net worth.
- Evaluate the difference in their net worth compared with their differences in income.
- How could the relative positions of Nacanieli and Hosea change over a two - five year period.

### Answers

- Nacanieli's net worth = \$188,000 Hosea's net worth = \$223,500
- Nacanieli could be building up his business, as he has a large loan. He also could have recently bought an expensive house and got as large a mortgage as the bank would permit. On the other hand, Hosea could have been teaching for a long time and have saved from an early age and diligently paid off his mortgage and contributed to his FNPF.
- Nacanieli's annual income to net worth is 23.9%. He is likely to expect that his business will make a lot of money so he has invested heavily both in his business and in his personal home. Hosea's annual income to net worth is 8.05%. Although his annual income to net worth is a lot lower, he has worked hard to make the best use of

**his smaller income. He has built up his investments and reduced his debts as much as he could.**

- (d) Over the next two to five years, Nacanieli could focus on reducing his debts with his higher earning power and increase his net worth. On the other hand, Hosea may be near the end of his teaching career and find it difficult to increase his asset base beyond his current items.**

**Question Ten - Income shocks**

Mere is a singer in an up and coming band. She is responsible for the band's bookings, mixing and CD/ internet promotions. She is in a "fragile" profession that is subject to ups and downs. In order for her to plan properly for her future, she needs to recognize that there may be some "shocks" to her financial stability.

Questions.

- (a) Explain what three of those shocks might be.  
(b) How would those shocks impact on Mere's attempts to become financially stable?

**Answers**

<b>(a) Possible Shocks</b>	<b>(b) Effects on Financial Stability</b>
<b>Possibility of unemployment</b>	<b>Reduce her income</b>
<b>Accident may cause ill health or change in lifestyle</b>	<b>May adversely affect the way she earns her income and its level</b>
<b>Illness or ill health of other members of family unit</b>	<b>May restrict ability to earn income e.g. reduce available hours</b>
<b>She may become pregnant and start a family</b>	<b>Will reduce ability to earn income or work suitable hours</b>
<b>Music industry fashions may change</b>	<b>May have to change style of band, entertainment thus disrupting income</b>
<b>Family members may have to relocate</b>	<b>May have to readjust to living in a different location</b>
<b>Technology changes</b>	<b>May require more / less investment in technology may have to find different methods of recording etc.</b>
<b>Any other reasonable comment</b>	<b>Show how the comment affects ability to earn income.</b>

### Question Eleven - Financial planning

Financial planning for the future requires a starting point, a goal and an action plan. Financial planning should include your short, medium and long term goals but there can be many “triggers” for unwise financial decisions, which upset a financial plan.

Using the example provided, complete the table below.

“Trigger”	Financial consequences	How to deal with the situation
Example: Desire to please or impress someone	Will not reflect my own values	Have a financial plan and stick to it.
(a) Lack of assertiveness	<b>If no action taken, no plan</b>	<b>Need to take a positive approach to achieving financial independence.</b>
(b) Lack of ability to be really honest about a situation.	<b>No financial plan prepared</b>	<b>Seek advice, prepare plan and monitor it regularly</b>
(c) Giving oneself luxury treats to feel better.	<b>Alright if occasional treats are allowed for in your financial plan otherwise you will not reach your goals.</b>	<b>Regular monitoring and stick to plan.</b>
(d) Acting impulsively or without reflection.	<b>No short term, medium and long term goals prepared.</b>	<b>Regular monitoring. Financial planning is an active, evolutionary process.</b>
(e) Being impressed by sales talk.	<b>May make wrong financial decisions which involve great risk</b>	<b>Financial plan must have goals, which reflect your own values.</b>
(f) Not seeking independent advice.	<b>May not have correct information about starting point, goals and action planning</b>	<b>Need to have independent advice on how to match financial management with personal capabilities and living patterns</b>
(g) Not being able to delay the “feel good” factor	<b>Make uniformed decisions and take risks rather than specifying what you want to achieve in the short, medium and long term.</b>	<b>Need to understand that time, commitment and knowledge are key factors in financial planning. Assess what your risk tolerance is also.</b>

### Question Twelve - Financial planning

Fill in the gaps using the appropriate words from this list:

Independence	Financial base	Old
Superannuation	Life expectancy	FNPF
Savings	Annuity	Retirement
Equal opportunity	Healthy lifestyles	Values
Financial management	Risk	Family situations
Monitoring		

- Goals in a financial plan should reflect your \_\_\_\_\_.
- In order to provide yourself with a strong \_\_\_\_\_ you need to regularly review your saving and investment plans,
- \_\_\_\_\_ is a compulsory initiative that's designed to make it easier to save for your future
- More people are expected to live past \_\_\_\_\_ age this century than before
- An investment of money entitling the investor to a series of equal annual sums is called an \_\_\_\_\_.
- Increasing \_\_\_\_\_ is reflected in current population trends.
- Financial \_\_\_\_\_ is achieved when you don't need to rely on government superannuation.
- Financial planning is an active, evolutionary process, requiring regular \_\_\_\_\_.

#### Answers

- Goals in a financial plan should reflect your values.
- In order to provide yourself with a strong financial base you need to regularly review your saving and investment plans,
- FNPF is a compulsory initiative that's designed to make it easier to save for your future.
- More people are expected to live past retirement age this century than before.
- An investment of money entitling the investor to a series of equal annual sums is called an annuity.
- Increasing life expectancy is reflected in current population trends.
- Financial independence is achieved when you don't need to rely on government superannuation.
- Financial planning is an active, evolutionary process, requiring regular monitoring

## 5.0 Appendices



**Vuli the Vonu**

## **5.1 The Regional Financial Education Teachers**

### **Secondary schools' group**

#### ***Central/Eastern district***

Jai Narayan College  
Marist Brothers High School  
Dudley High School  
Gospel High School  
Yat Sen Secondary School  
Suva Muslim College  
Mahatma Gandhi Memorial High School  
Suva Grammar School  
Queen Victoria School  
Ratu Kadavulevu School

#### ***Nadi/Lautoka district***

Swami Vivekananda College  
Natabua High School

#### ***Labasa district***

Shri Guru Nanak Khalsa College  
All Saints Secondary School

### **Primary schools' group**

#### **Central/Eastern districts**

Suva Primary School  
Nehru Memorial Primary School  
Yat Sen Primary School  
Veiuto Primary School  
Levuka Public Primary School  
Stella Maris Primary School

#### **Nadi/Lautoka districts**

Nadi Airport School  
Drasa Avenue School  
Nadi Muslim School  
Jasper Williams Primary School



**Labasa district**

St Mary's Primary School

Labasa Sangam Primary School

Nasekula District School

Holy Family Primary School

## 5.2 Useful Financial Terms (Glossary)

<b>Account balance</b>	This is an amount shown at the bottom of a statement of account (bill). It is the difference between money received and money paid, and can be positive or negative.
<b>Active income</b>	Active income is income for which services have been performed. This includes wages, tips, salaries, commissions and income from businesses in which there is material participation.
<b>Admission fee</b>	Income received from charging a fee to view or visit an event, entertainment, site etc.
<b>Affordable</b>	Having enough money to pay for the goods or services you decide to buy.
<b>Amount payable</b>	Amount owed to another party. Money which a company owes to vendors for products and services purchased on credit.
<b>Annual Percentage Rate (APR)</b>	The yearly cost of a loan, including interest, insurance and the origination fee, expressed as a percentage. The APR is often used to compare the effective rate of interest for credit cards, mortgages and hire purchase financing, especially for vehicles.
<b>Aspirations</b>	A cherished desire or ambition, but not an essential for survival.
<b>Asset classes</b>	<p>An asset class is a category of investment assets with similar return and risk characteristics and subject to the same laws and regulations. Whatever the asset class line-up, each class is expected to reflect different risk and return investment characteristics and to perform differently in any given market environment.</p> <p>“Asset classes” refers to the four main types of investment categories. The main asset classes are:</p> <ul style="list-style-type: none"> <li>• Shares or equities – a stake or ownership of a company</li> <li>• Fixed interest – representing money loaned to an issuer</li> <li>• Property – a physical building, whether commercial or residential, other than the primary family residence</li> <li>• Cash deposits – including money deposited in an interest-bearing account.</li> </ul>
<b>Asset protection planning (related to risk management)</b>	Asset protection refers to a wide range of activities that are aimed at safeguarding/protecting your wealth both in the short term and long term.
<b>Assets</b>	An item of value owned by an individual or a company, especially that which can be converted into cash. Examples of assets include cash, accounts receivable, inventory, property and vehicles.

<b>ATM (Automatic Teller Machine)</b>	An ATM is an electronic terminal where customers can use a card and a personal identification number (PIN) to operate their accounts. Functions may vary between ATMs but most can be used to withdraw cash, transfer funds between accounts and check balances.
<b>Balance</b>	The running total from taking account of money in and money out.
<b>Balanced budget</b>	This is the final budget and it cannot have a deficit figure. Alterations are made to balance the budget by making adjustments.
<b>Bank</b>	A financial institution which offers financial services such as deposit accounts, cheque and savings accounts and opportunities for customers to borrow money. Banks are financial intermediaries.
<b>Bank account</b>	An arrangement with a particular bank to deposit and withdraw money from that bank.
<b>Bank fees</b>	A sum charged by the bank for the operation and holding of accounts and other banking services.
<b>Banking institutions</b>	A bank is a financial institution registered and supervised by the Reserve Bank of Fiji. A bank will accept deposits of money from the public and use these funds for loans and investments; and engage in any other activity recognised by the Reserve Bank as normal banking practice, which is a licensed financial institution engaging in the activities described above, may additionally be authorised to do by the Reserve Bank of Fiji. Commercial banks accept three types of deposits – Savings, Demand (Cheque account) and Time (term Deposits)
<b>Banking products</b>	Goods made available for customer use such as, the use of various types of bank accounts e.g. structures of call accounts and term deposits, insurances, personal and home loans, credit cards, managed funds, and off-shore accounts.
<b>Banking services</b>	Services such as accepting deposits and lending money, offering a variety of channels to access and transfer funds (ATM, telephone and internet banking, branches).
<b>Bank statement</b>	A bank statement is a summary of transactions, listing the amounts received (credits) and amounts withdrawn or payments made out of the account (debits) that took place over the relevant time period.
<b>(Bank) transfers</b>	A method of making payments in which the payer may make a payment at any branch of any bank for the account of the payee who has an account at any branch of the same or another bank. It is often referred to as an electronic transfer of funds.
<b>Barter</b>	People swap goods and services for what they need.

<b>Bill payment</b>	A bill payment or customer-initiated direct debit is a means of payment available through telephone banking. It differs from a direct debit in that the customer (rather than the company in receipt of payment) initiates the electronic debit from their account to the payee's account. Before a payment can be made, the customer must register the organisation or person involved as a payee by supplying the bank with the appropriate bill details and/or payee's bank account number.
<b>Board</b>	Payment for accommodation, food or meals.
<b>Bogus share offer</b>	A bogus share offer is the offer to sell shares in a company that is either fake or one that is not allowed to sell shares. Unsuspecting investors who hand over their money soon realise that they have been tricked and that their "shares" are in fact worthless.
<b>Bonds</b>	<p>A bond is a general term that describes the vehicle that an organisation uses for financing its activities. Bonds represent long-term debt obligations of a company or government. They are fixed interest investments whereby the individual receives a number of payments at fixed intervals until the bond is repaid. Fixed interest securities may be bought and sold, and may be traded on a stock exchange.</p> <p>Many organisations borrow money so they can become even bigger and more successful. One way they borrow money is by selling bonds. When you buy a bond, you are lending money to the company so it can grow. The company promises to pay you interest and to return your money on a date in the future.</p>
<b>Bonus issues</b>	<p>Bonus issues are new shares in a company that are given to existing shareholders for free; they are a bonus or reward for owning shares in the company.</p> <p>A company may decide to distribute further shares as an alternative to increasing the dividend payout issued to shareholders in proportion to their holdings for example one bonus share for every 10 shares held.</p>
<b>Branch staff</b>	Branch staff work at a retail location where a bank or financial institution offers a wide variety of face to face service to its customers.
<b>Budget</b>	<p>A plan showing where your income will come from and how it will be spent.</p> <p>A statement of planned income, savings and expenses based on an</p>

	individual's goals for a specified timeframe e.g. a week.
<b>Business ownership</b>	<p>Business ownership means having control over a business enterprise and being able to dictate its functioning and operations.</p> <p>There are three ways in which business ownership may be acquired: initiating a business, purchasing a company that is already existing, and franchising. The most common forms of business ownership are the sole proprietorship, partnership and corporation.</p>
<b>Capital gains</b>	Capital gain is the profit that results from the sale or the exchange of a capital asset which exceeds the purchase price.
<b>Cash</b>	Cash refers to money in the physical form of currency, such as banknotes and coins.
<b>Cash register receipt</b>	A receipt, produced by a cash register, resulting from a cash transaction.
<b>Chain letters</b>	A chain letter typically consists of a message that attempts to induce the recipient to make a number of copies of the letter and then pass them on to as many recipients as possible.
<b>Cheque</b>	<p>An unconditional order in writing to a bank by its customer requiring the bank to pay a specified sum to a specified person or to the bearer.</p> <p>A cheque becomes "stale" and will normally not be paid if it is presented more than six months after the date written on it. A "non-transferable" cheque provides the greatest protection if it is lost or stolen.</p>
<b>Cheque account</b>	A bank account with a cheque book facility.
<b>Choices</b>	Options you have before making a decision.
<b>Collectables/Collectibles</b>	Collectables are: things considered to be worth collecting (not necessarily valuable or antique). For investment purposes, a collectable (collectible) is any physical asset that appreciates in value over time because it is rare or it is desired by many. Many people think of collectables as things like stamps, coins, fine art or sports cards, but there are really no strict rules as to what is or is not a collectable.
<b>Commission</b>	A fee for services undertaken based on a percentage of an amount received, or percentage of the value of goods sold, or collected or agreed to be paid (as distinguished from a salary). The payment of commission as remuneration for services undertaken or products sold is a common way to reward salespeople.
<b>Company shares</b>	A share (also known as <b>stock</b> ) is a document issued by a company,

	which entitles its holder to be one of the owners of the company. A share is issued by a company or can be purchased from the stock market. By owning a share you can earn a dividend and by selling shares you may get capital gain. So your return is the dividend plus the capital gain. However, you also run a risk of making a capital loss if you have sold the share at a price below your buying price.
<b>Consequences</b>	What happens because of a decision you make.
<b>Costs</b>	Expenses involved in setting up or running an activity or business.
<b>Credit</b>	Credit is the ability to obtain goods and services now with an obligation to pay the amount borrowed, together with any additional agreed costs, in the future.
<b>Credit card facility</b>	A credit card facility gives access to credit. It can be used more than once to borrow money or buy products and services on credit. Banks, retail stores and other businesses may issue these. Users are limited in the amount they can charge to the card, but they are required to make a minimum payment each month if they do not wish to repay the full amount. Any unpaid balance incurs interest.
<b>Credit card</b>	A plastic card issued by a bank which enables customers to purchase goods and services on credit rather than pay by cash, cheque or EFTPOS.  Customers receive a monthly statement on their credit transactions and will not usually be charged interest if the monthly account is paid in full by the due date. Credit cards may also be used to obtain cash advances.
<b>Credit card statement</b>	A statement listing the purchases, payments and other debits and credits made to the credit card account within the billing cycle. The billing statement is sent at the end of each billing cycle and usually includes the total balance, minimum payment due, payment due date, grace period, finance charge, days in billing cycle, and annual percentage rate.
<b>Credit rating</b>	A credit rating is an evaluation of the likelihood that a borrower will default on a loan. A numerical score is calculated using the information in an individual's credit file. The credit rating is often used to determine an individual's credit worthiness and is sometimes referred to as a credit score.
<b>Cross sector</b>	A range of different industries. For example, investors can diversify their equity portfolios to encompass shares in the electricity, financial and utilities industries.
<b>Current assets</b>	Assets in the form of money or assets which are intended to be

	turned into money within a year.
<b>Debentures</b>	Debentures are types of fixed interest or debt securities where the issuer's obligation to repay investors is secured by the issuer's assets. The value of a debenture depends on the value of the issuer's assets. Debentures earn interest. (Other definitions do not include the feature of a debenture being secured by the issuer's assets.)
<b>Debit card</b>	A card that allows you to access your money, usually at an ATM or an EFTPOS terminal.
<b>Debt</b>	Money that is owed.
<b>Debt/Credit</b>	What you owe other people or organisations.
<b>Decision</b>	Selecting a choice.

<b>Default</b>	Failure to perform a task or fulfil an obligation, especially failure to meet a financial obligation e.g. <i>default on a loan</i> .
<b>Deposit</b>	Money put into a bank, or 'money in' recorded in a Cash Book.
<b>Direct debit</b>	Funds taken directly out of an account and paid to someone else.
<b>Direct investment</b>	The act or practice of buying an investment product by an individual, without using a broker as an intermediary, and gaining direct ownership of the investment (such as owning property or shares). There are two ways of investing. Direct investment involves putting one's capital into specific fixed assets such as property, factories, buildings etc. Indirect investment involves investing in securities or other assets that are traded on financial markets.
<b>Disposable income</b>	The amount of income left to an individual after taxes have been paid, and is available for spending and saving.
<b>Diversification</b>	The practice of spreading money among different investments to reduce risk is known as diversification. If you buy a mixture of different types of stocks, bonds, or mutual funds, your savings will not be wiped out if one of your investments fails. By diversifying, you aim to limit your losses and reduce the fluctuations of investment returns without sacrificing too much potential gain.
<b>Dividends</b>	Dividends are payments made by a company to its shareholders as a reward for owning shares in the company. Dividends are the yield from the investor's investment in the company. It is the portion of a company's net profit paid to its shareholders (owners), and is usually declared as a dividend per share (DPS).
<b>Dollar cost averaging</b>	Dollar cost averaging is a method of purchasing investments by investing a fixed amount of money at set intervals. It is a timing

	strategy of investing equal dollar amounts regularly and periodically over specific time periods (such as \$100 a month) in a particular investment portfolio. By doing so, more units are purchased when prices are low, and fewer units are purchased when prices are high. The point of this is to lower the total average cost per unit of the investment, giving the investor a lower overall cost for the units purchased over time. The investor buys more units in a managed fund when the price is low and fewer units when the price is high, thus reducing the overall cost.
<b><i>Draft budget</i></b>	A (first) rough copy which may have a surplus or a deficit. This is not the final version of the budget.
<b><i>Earned income</i></b>	Earned income is the money you get paid for the work you do.
<b><i>EFTPOS</i></b>	Electronic funds transfer (at) point of sale. It means customers pay money (transfer) from their account to the merchant or retailer's account electronically while still in the shop (i.e. at the point of sale). To use this technology, customers must have a special plastic card that is the "key" to their account and will allow them to access their money from retailers' terminals (i.e. at their shops).

<b><i>Email scams</i></b>	An email scam is the use of email messages to trick people into providing sensitive personal information or to convince people to pay money for assets that are either fake or worthless. (Same as a phishing scam.)
<b><i>Employment</i></b>	Offering your labour to provide a service and getting paid for it.
<b><i>Equities</i></b>	Equities are an alternative term for shares. Equities are an entitlement to a proportion of the ownership of a business with the expectation that the share owner will get a portion of the business' profit.
<b><i>Expenditure</i></b>	Money going out to buy goods or services.
<b><i>Fees (payment for contract)</i></b>	A fee is the price one gives as payment for services, especially the amount paid to a doctor, lawyer, consultant or member of a learned profession or organisation.
<b><i>Financial adviser/advisor</i></b>	A financial adviser is a professional who renders financial planning services to individuals, businesses and governments. This can involve investment advice which may include pension planning, and/or advice on financial products, such as life insurance and other insurances such as income protection insurance, critical illness insurance etc, and/or advice on mortgages and other investment products. A financial adviser may include but is not limited to an insurance adviser or broker, an accountant, lawyer, tax agent or



	banking service.
<b>Financial document</b>	An original or official paper relied upon as the basis, proof or support of financial activity. For example, an invoice.
<b>Financial planning</b>	In general usage, a financial plan can be a budget, a plan for spending and saving future income. This plan allocates future income to various types of expenses, such as rent or utilities, and also reserves some income for short-term and long-term savings. A financial plan can also be an investment plan, which allocates savings to various assets or projects expected to produce future income, such as a new business or product line, shares in an existing business, or real estate.
<b>Financial transaction</b>	Money exchanged for goods.
<b>Fixed expenses</b>	Fixed expenses do not depend on your rate of consumption of a good or service. They don't change with levels of usage or from period to period. They are usually paid on a regular basis, such as week to week, month to month, quarter to quarter or year to year. Typical household fixed expenses are mortgage or rent payments, car repayments and insurance premiums.
<b>Fixed interest rate</b>	An interest rate which is set, and will not change over a given period.
<b>Floating interest rate</b>	An interest rate which is not set, and may change over a given period.
<b>Foreign exchange</b>	A system by which one currency is exchanged for another, enabling international transactions to take place.
<b>Futures</b>	Futures are financial contracts or agreements between a buyer and a seller. The seller agrees to sell a specific product to the buyer, at a specific date in the future at an agreed price. Because futures are contracts, when the contract date arrives, the buyer must buy the product. For example, if you buy gold futures today you agree to take possession of a certain amount of gold at a date in the future in return for paying the agreed price. Futures investments in things like foreign currency, oil, electricity or wool occur where you invest now on a prediction of what the commodity will sell for at a later date. Futures contracts are a way of trying to profit (or minimise loss) from future movements in prices or values, without actually buying the commodity that the contract relates to.
<b>Gambling</b>	Gambling is any activity in which money is bet on an event either occurring or not occurring and in which luck plays a large role in the final outcome. There is usually less skill, planning and research involved compared to investing. Elements of 'gambling' often include a limited number of scenarios, win/lose situations, a limited

	number of options to choose from, more luck than skill required, and the results of gambling are generally known immediately. Gambling is an activity often undertaken for excitement and/or financial gain.
<b>Geographic spread</b>	A range of different areas, usually expected to encompass the world. For example, investors can spread their equity portfolios to encompass investment in the Pacific, New Zealand, Australia, Asia, the US, Europe etc.
<b>Goals</b>	"A dream with a deadline". A goal is an observable and measurable end result having one or more objectives to be achieved within a more or less fixed timeframe.
<b>Government Stock (also referred to as Government Bonds)</b>	Securities or stock issued by a government to finance its budget deficit (the difference between what it gets in taxes and what it spends). Government Stock is usually considered to be a very safe form of investment and is essentially an IOU from the government. Both the public and companies can lend the government money. In return they get a fixed rate of interest for a certain period of time and then the money is repaid. The document which acknowledges the amount the government owes each person or company is called Government Stock.
<b>Gross income</b>	Gross income is income from all sources before tax has been paid. It's your responsibility to pay what is called "income tax" on this money.
<b>Gross pay</b>	Total of an employee's regular remuneration including allowances, overtime pay, commissions before any deductions.
<b>Hedging</b>	Hedging is a plan to limit or offset probability of loss from fluctuations in the prices of assets. Hedging includes a variety of techniques such as taking equal and opposite positions in two different markets, or in protecting capital against the effects of inflation through investing in high-yield financial instruments (e.g. bonds or shares), property, or precious metals. A hedge is a position established in one market in an attempt to offset exposure to price fluctuations in some opposite position in another market with the goal of minimising one's exposure to unwanted risk. The aim of hedging is to avoid or limit risk and protect against price changes.
<b>Hire purchase</b>	A way of getting the good and paying for it over time. Hire purchase is a contract for the hire of goods with an option to purchase. The user gets possession of the goods.
<b>Income</b>	Money you earn from work or other sources.
<b>Income source</b>	All wages and any other compensation for services performed are considered to be sources of income.

<b><i>Income tax</i></b>	Income tax is a tax payable to the government, based on one's income. Unless you're self-employed, your employer takes out the income tax before you get paid.
<b><i>Income tax bracket</i></b>	An income tax bracket relates to a category of taxpayers based on the amount of their income. It specifies the rate paid on the "last dollar" earned.
<b><i>Indirect investment</i></b>	This is a way of investing through an intermediary, either an external adviser or body. Indirect investors are those who access a market by investing through a collective investment fund as opposed to purchasing an asset directly in their own name. There are two kinds of investment. Direct investment involves putting one's capital into specific fixed assets such as property, factories, buildings etc. Indirect investment involves investing in securities or other assets that are traded on financial markets.
<b><i>Insurance</i></b>	The act, state or means of being insured for loss or harm of property, life, or one's person arising in specified circumstances. There is a promise of compensation, in exchange for a periodic payment, for specified potential future losses.
<b><i>Interdependence</i></b>	People rely on others to make some of the things they need or want, swapping or selling what is their surplus to get it.
<b><i>Interest</i></b>	<p>Money you earn from saving or investing or the extra money you pay for borrowing money.</p> <p>The fee charged by a lender to a borrower for the use of borrowed money, usually expressed as an annual percentage of the principal. It is the cost of borrowing and is a return on savings.</p>
<b><i>Interest rate</i></b>	A rate which is charged or paid for the use of money. An interest rate is often expressed as an annual percentage of the principal. It is calculated by dividing the amount of interest by the amount of principal.
<b><i>Internet (on-line) banking</i></b>	Internet banking is a term used to access your account and for performing transactions, payments etc over the internet through a bank, credit union or building society's secure website.
<b><i>Investing</i></b>	Investing is the process of putting money some place with the intention of making a financial return and holding long-term, non-cash growth assets with the aim of capital gain and/or income. Investment possibilities include stocks, bonds, mutual funds, real estate and other financial instruments or ventures. Investing focuses on using one's money to make more money, and achieving long-term financial goals. With investing, there is no guarantee an

	investor will make money. In some cases, an investor may even lose the money invested. Investing should be considered only after a person has adequate savings.
<b>Investment products</b>	Products purchased with the expectation that they will provide a return, an income stream.
<b>Invoice</b>	A bill issued by one who has provided products and/or services to a customer.
<b>Irregular items</b>	Not regular, uneven or abnormal.
<b>Labour</b>	The work that people do for an income.
<b>Layby</b>	Paying off the purchase before taking the goods home.
<b>Legislative requirements</b>	Requirements according to the laws of a country.
<b>Liability</b>	A financial obligation, debt, claim or potential loss.
<b>Liquidity</b>	Liquidity refers to how easily and quickly you can sell your investment and access your money without incurring a significant loss.
<b>Loan</b>	<p>Money that you borrow and have to pay back.</p> <p>An arrangement in which a lender gives money or property to a borrower, and the borrower agrees to repay the money or return the property, usually with interest, at a future point in time.</p>
<b>Managed funds</b>	Managed funds are investment products in which a professional investor, called a fund manager, researches and buys assets for you and charges you a fee.
<b>Marginal tax rate</b>	The rate applying to the last dollar of taxable income.
<b>Mixed expenses</b>	Mixed expenses consist of a constant or fixed portion and a variable portion. Typical household mixed expenses include electricity, gas and water, which usually have a fixed charge but also include a variable charge component according to usage.
<b>Money</b>	What you use to pay for goods and services.
<b>Money lender</b>	A money lender is a source of credit to a category of borrowers who would normally be refused credit by most financial institutions because their income may be at or below the poverty threshold or whose credit score indicates that the borrower might be unable to repay the loan. They offer small personal loans at high interest rates usually higher rates than the market rate charged on credit cards or on bank overdrafts. Because personal loans offered are unsecured and the risk of default by the borrower is high, money lenders charge an effective interest rate that is in the range anywhere between 100% and 400% APR (Annual Percentage Rate).
<b>Mortgage</b>	This term is often loosely used to describe the loan provided for

	purchase of property. A mortgage is a document signed by a borrower when a home loan is made that gives the lenders the right to take possession of the property if the borrower fails to make loan payments. It is a method of using property (real or personal) as security for the performance of an obligation, usually the payment of a debt.
<b>Needs</b>	<p>What you think you must have.</p> <p>Needs are something you must have to survive. They are absolute necessities, essentials or basics of life.</p>
<b>Net income</b>	Your net income is your income after tax has been paid.
<b>Net pay</b>	Net pay is the remaining amount after deductions from the gross salary, such as income taxes, union dues, authorised deduction for a retirement fund.
<b>Notes and coins</b>	What we call money.
<b>Options</b>	Options are similar to futures since they are also a contract between a buyer and a seller. In an options contract, the seller gives the buyer the option or right to buy a product at a specific date in the future and at an agreed price. Options are different to futures since the buyer doesn't have to buy on the contract date. The buyer can choose whether to buy or not.
<b>Overdraft/overdraft facility</b>	The act of overdrawing a bank account. It is an extension of credit by a lending institution to allow for circumstances when withdrawals exceed deposits. The customer is authorised, by agreement with the bank, to withdraw funds up to a specific amount in excess of their credit balance. Interest is usually charged on the fluctuating daily balance.
<b>Passive income</b>	<p>Passive income is income received from rental property, limited partnership or other enterprise in which the person is not actively involved.</p> <p>Some examples of passive income are:</p> <ul style="list-style-type: none"> <li>• Earnings from a business that does not require direct involvement from the owner or merchant</li> <li>• Rent from property</li> <li>• Royalties from publishing a book or from licensing a patent or other form of intellectual property</li> <li>• Earnings from internet advertisements on websites</li> <li>• Residual income, repeated regular income earned by a sales person, generated from the payment of a product or service, that must be renewed on a regular basis in order to continue</li> </ul>

	<p>receiving its benefits</p> <ul style="list-style-type: none"> <li>Dividend and interest income from owning securities, such as stocks and bonds, is usually referred to as portfolio income, which may or may not be considered a form of passive income.</li> </ul>
<b>Payee</b>	One who receives a payment such as through cash, cheque, money order or promissory note.
<b>Payer</b>	One who makes a payment.
<b>Payment method</b>	Means of payment employed by a customer, such as cash, cheque, money order, or credit card with order or upon invoicing.
<b>Payments</b>	Sums of money paid or claims discharged.
<b>Payslip</b>	A slip of paper included with your pay that records how much money you have earned and how much tax or insurance etc has been taken out.
<b>Penalties</b>	A sum of money required as a forfeit for an offence.
<b>Personal bank accounts</b>	Funds deposited in a bank that are credited to and subject to withdrawal by the depositor.
<b>Personal Financial Management</b>	Personal Financial Management relates to the finances of an individual, and is not concerned with business finances.
<b>Personal income</b>	An individual's total earnings from wages, passive enterprises, and investment interest and dividends.
<b>Personal loan</b>	A loan made for personal, family, or household use, a loan secured by property other than real estate, or unsecured. This is usually not backed by collateral and often used over a short-term basis to cover unexpected expenses like emergency car repairs or to pay bills on time to protect credit rating. Usually unsecured and based on the borrower's integrity and ability to pay.
<b>PIN – Personal Identification Number</b>	A code used to allow access to your personal information and funds.
<b>Personal risk profile</b>	A personal risk profile is an assessment of the level of risk you are comfortable with taking when making investments, balanced with the level of returns you would like to earn on those investments. Think of a ladder, and call it the “returns ladder”. The highest investment returns are right at the top of the ladder and the lowest returns are right at the bottom of the ladder. The higher you climb up the ladder, the higher the returns you earn on your investments but the higher your risk of falling. You can’t have high returns without taking the higher risk. Your personal risk profile refers to where you stand on the returns ladder.
<b>Phishing</b>	Phishing is any method in which a person tries to obtain sensitive personal information from another person with the intention of using

	that information for criminal activities. Phishing scams are typically fraudulent email messages appearing to come from legitimate enterprises (e.g. your university, your internet service provider, your bank). These messages usually direct you to a spoofed website or otherwise get you to divulge private information (e.g. password, credit card, user names or other account updates). The perpetrators then use this private information to commit identity theft.
<b>Portfolio diversification</b>	Portfolio diversification is the means by which investors minimise or eliminate their exposure to company-specific risk, minimise or reduce systematic risk and moderate the short-term effects of individual asset class performance on portfolio value. This occurs when investors spread their available funds over a wider selection of investments, such as property, Government Stock and shares. Diversification can focus on different asset classes, a varied geographic spread for their investments and different expected timeframes for maturity.
<b>Price</b>	The amount of money paid for buying a good or service.
<b>Principal</b>	The amount borrowed, or the part of the amount borrowed which remains unpaid (excluding interest).
<b>Priorities</b>	Something afforded or deserving prior attention or having precedence, established by order of importance or urgency.
<b>Private superannuation</b>	The savings which have been accumulated over time by an individual which are used to fund retirement or are funds which can be used for investment. Private superannuation is not government funded.
<b>Profit</b>	Profit is income received by the owner of a business for risk taking and management.
<b>Progressive tax</b>	In a progressive structure, the tax rate increases as more income is earned. This is a tax which rises as a fraction of income as income rises.
<b>Property</b>	Property can be: <ul style="list-style-type: none"> <li>• Something owned; a possession</li> <li>• A piece of real estate</li> <li>• Something tangible or intangible to which its owner has legal title properties such as copyrights and trademarks</li> <li>• Possessions considered as a group</li> <li>• The right of ownership; title.</li> </ul>
<b>Proportional tax</b>	A proportional tax is one that is levied at a constant fraction of amount. A tax which takes the same proportion of income as income rises.

<b>Provisional tax</b>	Provisional tax is not a separate tax. It is a way of paying your income tax in instalments during the year. The amount you pay during the year is credited against your end of year tax to pay.
<b>Rate of return</b>	A rate of return is the percentage of the original amount invested that is earned/returned to you during or at the end of your investment period (the length of time you hold the investment for).
<b>Receipts</b>	Written evidence of a transaction made.  Any money received.
<b>Regressive tax</b>	A regressive tax is one that falls as a fraction of income as income rises. It takes a higher proportion of low incomes than it does of high incomes (e.g. VAT). The tax paid as a percentage of income falls as income rises.
<b>Regular items</b>	Recurring uniformly or habitual in time or manner.
<b>Rent</b>	A charge or a payment or series of payments made by the lessee to an owner for use of some property, facility, equipment or service.
<b>Resident Interest Withholding Tax (RIWT))</b>	RIWT is the tax taken out of resident passive income. If you receive interest from any person or organisation, resident interest withholding tax (RIWT) is deducted before the interest is credited to you. This might be interest from financial institutions (banks, finance companies, building societies or credit unions) or even interest on a credit balance with Inland Revenue. Payers of interest (such as banks and similar institutions) take RIWT out of interest payments and send it to Inland Revenue.
<b>Residential rental property</b>	A rental property used for residential purposes, rather than industrial or commercial purposes. A rental property is a property where a tenant pays the owner for the use of the property.
<b>Retirement savings</b>	Personal savings put aside specifically for use in retirement.
<b>Risk</b>	Risk refers to the possibility an investor will either lose some or all of the money invested or not receive an expected return.
<b>Risk and return relationship</b>	The relationship between risk and return means that the returns you will get when investing your money will vary according to the risk level of the investment. You may lose money but if you take greater risks, you should also expect to get greater returns. No investment return is ever guaranteed – there is always a risk.
<b>Risk management</b>	Risk management is the process of assessing what your personal financial risk profile is, identifying the risk of the different investment products you are considering and then matching your risk profile to suitable investments. It means having a plan to deal with those possible changes, especially if those changes cause the value of



	your investment to decrease. Hedging is one example of a plan to limit possible losses in the future.
<b>Royalties</b>	A royalty is a payment to the holder of a copyright or patent, or to the owners of technology or trade names, for the right to their use.
<b>Safety deposit (box)</b>	A box or vault, especially in a bank, offering the service of safe storage of such items as money, valuables, jewellery and important documents etc.
<b>Salary</b>	Salary is a payment for work calculated on a yearly basis and is not related to the number of hours worked. A salary is received on a regular basis, usually weekly, fortnightly or monthly. Sometimes the term is used to include other benefits.
<b>Savings</b>	<p>Money you put in the bank for use at a later time.</p> <p>Savings is money set aside for a future use that is held in easily-accessed accounts, such as savings accounts. Savings are cash related with the expectation of no risk of capital loss and relate to short-term goals. To save money is to put money aside for use in the future. We normally keep our savings in a bank account where it will be safe and earn a reasonable rate of interest. We generally save money for emergencies or for making specific purchases in the near term e.g. travelling overseas.</p>
<b>Savings account</b>	A bank account that accepts deposits and allows withdrawals and usually accumulates interest. Withdrawals cannot be made by writing a cheque.
<b>Scam</b>	<p>A scam is a ploy to obtain money or other goods or information from somebody by dishonest means. It is an attempt to intentionally mislead a person usually with the goal of financial or other gain.</p> <p>Deception techniques can include fake personalities, fake photos, fake template letters, non-existent addresses and phone numbers, forged documents, and non-existent businesses. A financial scam is the attractive but false presentation of financial assets, transactions or schemes, by manipulators whose real aim is to pocket those investor's savings.</p>
<b>Security</b>	Property which is pledged as collateral for a loan/mortgage.
<b>Self-employed</b>	An individual who operates a business or profession as a sole proprietor, partner in a partnership, independent contractor or consultant.
<b>Self-sufficiency</b>	When the land and sea gives people the food, clothing and shelter they need.
<b>Shares</b>	Shares are an entitlement to a proportion of the ownership of a

	business with the expectation that the share owner will get a portion of the business' profit.
<b>Specialised advice</b>	Provision of expert financial counsel, financial planning information or financial advisory services.
<b>Speculation</b>	Speculation is the process of selecting investments with higher risk in order to profit from an anticipated price movement. Speculation is a form of high risk investment. Speculators, like investors, aim to use their money to make more money but are willing to accept very high levels of risk to do so.
<b>Spending</b>	What is paid for goods or services.
<b>Statement</b>	A record of transactions and their effect on account balances over a specified period of time, for a given account.
<b>Tax</b>	Tax is a compulsory charge or payment, levied by government, on income, a product or activity.
<b>Tax code</b>	The tax code is what decides how much tax is deducted from income. The tax code chosen depends on how many sources of income there are, and whether the tax payer has a student loan.
<b>Telephone banking</b>	Telephone banking is a service provided by a financial institution which allows its customers to perform transactions over the telephone. This normally includes bill payments for bills from major billers (e.g. for electricity).
<b>Term deposit</b>	A term deposit is a deposit at a bank or other financial institution that has a fixed return (usually via an interest rate) and a set maturity date. The depositor does not have access to the funds until maturity; in exchange, he/she is usually entitled to a higher interest rate than for a call account.
<b>Term investment</b>	A deposit lodged by a customer with a bank for an agreed period of time, on which the bank pays a set or advertised rate of interest. The timeframe and interest rate are often determined by the size of the deposit.
<b>Text banking</b>	The text banking service enables customers to retrieve information about their accounts, check account balances, get mini bank statements, transfer funds between accounts and pay bills from a mobile phone through text messaging.
<b>Time in the market</b>	Time in the market is the length of time that an investor expects to own an investment. It is used to determine the investor's income needs and desired risk exposure, which is then used to aid in investment selection. Time in the market reduces risk exposure.
<b>Trade-off</b>	What you are prepared to give up to get what you want (opportunity cost).

<b>Transactional account</b>	A cheque or similar account from which transfers can be made to third parties through cheques, drafts, online transfers, arrangements of standing orders, direct debits or payment via a debit card.
<b>Transaction costs</b>	These are the costs associated with buying and selling assets/investments. The charges you pay middlemen for their services e.g. fees, commissions.
<b>Unearned income</b>	Unearned income is an individual's income derived from investments, such as interest and dividends from investments, or income from rental property and other sources other than related to employment services.
<b>Value Added Tax (VAT)</b>	Value Added Tax (VAT) is Fiji's main type of tax apart from income tax. It is an indirect tax, which businesses (including retailers) charge as part of the cost of goods and services that they supply. The current rate is 15%.
<b>Variable expenses</b>	Variable expenses change depending on your consumption of a good or service. A variable expense is a cost that may change significantly from period to period, such as week to week, month to month, quarter to quarter or year to year. Typical household variable expenses are household maintenance expenses such as painting or yard care, general expenses such as clothing, groceries, and car maintenance and fuel.
<b>Variable interest rate</b>	An interest rate that changes according to the underlying or benchmark interest rate index.
<b>Volatility</b>	Volatility is a measure of an asset's stability. It is a term used to describe the risk of an investment product. If the returns for a particular investment fluctuate and are very uncertain, the investment has high volatility. Investments with high volatility are risky investments since you cannot accurately predict whether you make or lose money or how much money you might make or lose. Volatility can be low, high, short, medium, or long term and can vary across asset classes.
<b>Wages</b>	The amount of money or its equivalent received during a period of time in exchange for labour or services, calculated on an hourly basis.
<b>Wants</b>	What you'd like to have but don't really need.  A wish or desire for something you would like to have but is not essential for survival. Something that is desired to increase the quality and enjoyment of life.
<b>Wealth</b>	Wealth is financial independence through the accumulation of net

	assets. It is the abundance of valuable resources or material possessions or the control of such assets.
<b>Wealth creation</b>	Wealth creation involves the building of assets by means of careful investment into asset-based investments, usually over a long period of time so as to achieve an income stream that will ensure a continuation of a high quality life-style in the years beyond retirement.
<b>Withdrawal</b>	Money out from a bank, or 'money out' in a Cash Book.
<b>Yields</b>	Yield is the income that your investments generate while you own them. For example, if you own a rental property, the rent that you receive from the tenants each month is called the rental yield. It is calculated as the return on an investment, normally expressed as a percentage of its current value.

Sources: Many different sources were used to compile this list. They include the New Zealand Bankers' Association glossary, and a number of internet sites such as [www.investorwords.com](http://www.investorwords.com), [www.thefreedictionary.com](http://www.thefreedictionary.com), [www.answers.com](http://www.answers.com), [www.sorted.org.nz](http://www.sorted.org.nz) and [www.whatstax.govt.nz](http://www.whatstax.govt.nz), <http://www.looklearninvest.org.nz/glossary.php#investment-plan>, <http://www.sorted.org.nz/glossary>, NZQA Personal Financial Management Unit Standards.