

Adult Basic Education  
**Economic Education**

---

# **Economic Education 3101A**

## **Curriculum Guide**

**Prerequisite:** None

**Credit Value:** 1

<b><u>Economic Education Courses [Adult Oriented Electives]</u></b>
---

<b>Economic Education 3101A</b>
---------------------------------

Economic Education 3101B
--------------------------



## Table of Contents

To the Instructor.....	v
Introduction to Economic Education 3101A .....	v
Curriculum Guide .....	vi
Study Guides .....	vi
Resources .....	vii
Recommended Evaluation .....	viii
Unit 1 – Introduction to Economics.....	1
Unit 2 – Income and Benefits .....	5
Unit 3 – Using Income.....	11
Unit 4 – Managing Money .....	19
Appendix A – Assignment 1: Supply and Demand Answer Key	
Appendix B – Assignment 3: Understanding Earnings Statements Answer Key	
Appendix C – Assignment 5: Produce a Personal Budget Answer Key	



## To the Instructor

### I. Introduction to Economic Education 3101A

Economic Education 3101A is the first of two courses designed to help students become astute purchasers of goods and services. The focus is on the consumer in the marketplace, seeking to satisfy needs and wants. Students must complete both Economic Education 3101A and B in order to receive two credits. Credit will not be awarded until both parts are completed.

In Unit 1, *Introduction to Economics*, students will identify the needs and wants of individual consumers and communities. They will distinguish between goods and services, describe producers and consumers, and discuss the factors that give rise to market demand. Students will study the forces of supply and demand and the factors that affect these two aspects of the market. They will learn how the state of the economy and the business cycle affect market conditions and consumers.

In Unit 2, *Income and Benefits*, students will summarize the various ways in which individuals and households can acquire income. Besides earning money, they will also describe additional benefits of a job.

In Unit 3, *Using Income*, students will distinguish the various ways of using income. They will identify the types of expenses, including taxes, that individuals and households typically incur. Students will identify the criteria required for making effective purchasing decisions. They will also evaluate the products and services offered by major Canadian financial institutions.

In Unit 4, *Managing Money*, students will explain how fluctuations in interest rates affect saving, investing, and spending decisions. They will identify various types of investment alternatives, and compare the benefits of saving and investing. Students will demonstrate an understanding of the factors that will affect the value of money over time, and they will demonstrate personal budgeting and financial planning skills.

Students are required to complete five **Assignments** in this course. However, there are many topics included in the text and teacher's guide that students may be interested in exploring further. Students may be given additional assignments or the opportunity to investigate topics as group work.

## II. Curriculum Guide

Each new ABE Adult Oriented Elective course has a Curriculum Guide for the instructor and a Study Guide for the student. The Curriculum Guide includes the specific curriculum outcomes for the course. Suggestions for teaching, learning, and assessment are provided to support student achievement of the outcomes. Each course is divided into units. Each unit comprises a **two-page layout of four columns** as illustrated in the figure below. In some cases the four-column spread continues to the next two-page layout.

### Curriculum Guide Organization: The Two-Page, Four-Column Spread

Unit Number - Unit Title		Unit Number - Unit Title	
<b>Outcomes</b>  Specific curriculum outcomes for the unit.	<b>Notes for Teaching and Learning</b>  Suggested activities, elaboration of outcomes, and background information.	<b>Suggestions for Assessment</b>  Suggestions for assessing students' achievement of outcomes.	<b>Resources</b>  Authorized and recommended resources that address outcomes.

## III. Study Guides

The Study Guide provides the student with the name of the text(s) required for the course and specifies the sections and pages that the student will need to refer to in order to complete the required work for the course. It guides the student through the course by assigning relevant reading and providing questions and/or assigning questions from the text or some other resource. Sometimes it also provides important points for students to note. (See the *To the Student* section of the Study Guide for a more detailed explanation of the use of the Study Guides.) The Study Guides are designed to give students some degree of independence in their work. Instructors should note, however, that there is much material in the Curriculum Guides in the *Notes for Teaching and Learning* and *Suggestions for Assessment* columns that is not included in the Study Guide and instructors will need to review this information and decide how to include it.

**IV. Resources**

*Essential Resources*

Liepner, M.E., Magnan, J.G.N, & Wasserman, A. (2001). *Exploring Business for the 21<sup>st</sup> Century*. Toronto: McGraw-Hill Ryerson. ISBN 0-07-089158-3

Wasserman, A., O'Neill, M., & O'Leary, D. (2002). *Exploring Business for the 21<sup>st</sup> Century Teacher's Resource*. Toronto: McGraw-Hill Ryerson. ISBN 0-07-089159-1

*Recommended Resources*

n.a. (2002). *Exploring Business for the 21<sup>st</sup> Century Computerized Assessment Bank* [CD-ROM]. McGraw-Hill Ryerson. ISBN 0-07-089160-5

**To the Instructor**

**V. Recommended Evaluation**

Written Notes	10%
Assignments	50%
Test(s)	15%
Final Exam	<u>25%</u>
	100%



# **Economic Education 3101A**

## Unit 1 – Introduction to Economics

### Outcomes

1.1 Compare and contrast needs and wants.

1.1.1 Describe and give examples of needs.

1.1.2 Discuss Maslow's pyramid of needs.

1.1.3 Describe and give examples of wants.

1.2 Differentiate between consumer trends and fads.

1.2.1 Define consumer.

1.2.2 Describe and give examples of trends.

1.2.3 Describe and give examples of fads.

1.3 Analyze the forces of supply and demand.

1.3.1 Describe the law of demand.

1.3.2 Outline the factors that influence consumers' demand for a good or service.

1.3.3 Define and give an example of a substitute good.

1.3.4 Define and give an example of a complimentary good.

### Notes for Teaching and Learning

Instructors could discuss with students how stage of life, interests, tastes, priorities, abilities, family responsibilities, trends and fads affect consumer needs and wants.

Differentiating between trends and fads can be very difficult. In general, trends take a long time to build and their effects can be felt for years or even decades. They have deep cultural roots and they do not cross borders as easily as fads. Fads, on the other hand, are short-lived and easily cross borders. Examples of trends include hip hop, 24/7 shopping, and the green movement. Fads include the Atkins diet, Cabbage Patch Kids, and Crocs.

The law of supply and demand is best illustrated graphically. Some students may need a refresher on how to read graphs.

## Unit 1 – Introduction to Economics

### Suggestions for Assessment

Most marketing of goods or services fall under one the categories Maslow has listed in his hierarchy of needs. Instructors could discuss specific advertisements with students to determine which needs are being targeted by the ad.

Instructors could have students brainstorm a list of trends and fads, both past and present.

Students are required to complete and submit for marking **Assignment 1**, *Supply and Demand*, found in Appendix A of the Study Guide. The answer key is found in Appendix A of the Curriculum Guide. Students may require remedial practice reading graphs prior to completing this assignment.

### Resources

*Exploring Business for the 21<sup>st</sup> Century*, Chapter 1, pages 6 – 10.

*Exploring Business for the 21<sup>st</sup> Century Teacher's Resource*, Chapter 1, pages 2 – 5.

*Exploring Business for the 21<sup>st</sup> Century*, Chapter 5, pages 128 – 140.

*Exploring Business for the 21<sup>st</sup> Century Teacher's Resource*, Chapter 5, pages 62 – 68.

Appendix A, *Assignment 1: Supply and Demand Answer Key*.

## Unit 1 – Introduction to Economics

### Outcomes

1.3.5 Explain how consumer income affects demand.

1.3.6 Describe the law of supply.

1.3.7 Outline the factors that influence a producer's decision to supply a good or service.

1.4 Describe the cycle of changes that economies often go through.

1.4.1 Explain the term "business cycle".

1.4.2 Differentiate between the terms prosperity, inflation, recession, depression and recovery.

1.5 Discuss the relationship between business ethics and social responsibility.

1.5.1 Define ethics.

1.5.2 Discuss social responsibility.

1.5.3 Discuss the goals of socially responsible businesses and citizens.

### Notes for Teaching and Learning

The text describes a business cycle in simplistic terms. A business cycle is not a regular, predictable, or repeating phenomenon like the swing of the pendulum of a clock. Its timing is random and, to a large degree, unpredictable. A business cycle is identified as a sequence of four phases:

- Contraction (a slowdown in the pace of economic activity)
- Trough (the lower turning point of a business cycle, where a contraction turns into an expansion)
- Expansion (a speedup in the pace of economic activity)
- Peak (the upper turning of a business cycle)

A recession occurs if a contraction is severe enough and a deep trough is called a slump or a depression.

## Unit 1 – Introduction to Economics

### Suggestions for Assessment

Instructors could have students research the events that led to the Great Depression, and the subsequent economic impacts thereafter.

Instructors could use the ExamView Test Generator software to create a unit quiz for students. Instructors can customize the test to suit the needs of the class or add additional questions. Instructors should review the test questions and choose the questions and formats that suit the level of the students.

### Resources

*Canadian Economy Online,*  
[www.canadianeconomy.gc.ca](http://www.canadianeconomy.gc.ca)

CD-ROM, *Exploring Business for the 21<sup>st</sup> Century Computerized Assessment Bank.*

## Unit 2 – Income and Benefits

### Outcomes

2.1 Describe the various ways that individuals and households can acquire income.

2.1.1 List and describe common sources of income.

2.2 Discuss the reasons for saving income.

2.2.1 Define interest.

2.2.2 Differentiate between simple and compound interest.

2.3 Discuss how money is earned through investments.

2.3.1 Discriminate between investing and saving.

2.3.2 Compare and contrast stocks and bonds.

2.3.3 Define principal.

2.3.4 Define dividend.

### Notes for Teaching and Learning

To apply critical thinking skills to the question of acquiring income, students might begin by trying to picture their financial future in a realistic way. Instructors could have students research the following questions:

- What does it cost each year to own and operate a car?
- How much does a house in the area cost?
- How much money will you need when you retire?
- How much does it cost to raise a child?

In this unit, saving is treated mainly as a way of earning income via interest, especially compound interest. This unit encourages students to practice skills in saving by investigating how interest is calculated. In the next unit, the value of saving to accumulate money for a financial goal is examined more closely.

Instructors could ask students why keep money in the bank rather than keeping it stored at home. Answers should include greater safety and security (compared to the home) and combating inflation (to some extent).

Instructors should encourage students to use spreadsheet software or online calculators to demonstrate how compound interest works.

Instructors could ask students to identify the main feature that distinguishes investment from saving. An investment is a financial instrument that is bought for the purpose of making money. The investment is owned, and must be sold to obtain money.

Instructors should point out that owning stock in a company does not make one personally responsible for the company's debts or decisions, and shareholders do not normally take part in decision making. Shareholders can only lose the amount of money they invest.

## Unit 2 – Income and Benefits

### Suggestions for Assessment

There are numerous websites that allow users to calculate how much they can earn through compound interest. Instructors should encourage students to investigate which financial institutions offer savings accounts that provide the best return on their investment, and determine how much they could earn through compound interest if they regularly save.

Students are required to complete and submit for marking **Assignment 2, *The Stock Market***, found in Appendix B of the Study Guide. The Simustock website is recommended for this assignment because it is fairly straightforward and easy to use. However, instructors should feel free to use any appropriate website to complete the assignment.

### Resources

*Exploring Business for the 21<sup>st</sup> Century*, Chapter 9, pages 240 – 262.

*Exploring Business for the 21<sup>st</sup> Century Teacher's Resource*, Chapter 9, pages 120 – 131.

Simustock Website:  
[www.simustock.com](http://www.simustock.com)

## Unit 2 – Income and Benefits

### Outcomes

2.4 Discuss the nature of various social assistance programs.

2.4.1 Explain how the Canada Pension Plan functions.

2.4.2 Describe the conditions required to qualify for Employment Insurance.

2.5 Describe other benefits of a job in addition to income.

2.5.1 Describe how pension plans work.

### Notes for Teaching and Learning

Instructors could ask students if they think that playing the stock market is a form of gambling. Instructors should point out that a well-informed investor will thoroughly research a company before investing, leaving little to luck. Stocks are still considered the riskiest of common investments, but with risk comes reward.

Instructors should point out that deductions for CPP and EI are taken from workers, and that these programs are directly funded by employers and employees, not by general taxes.

Instructors should point out that pensions are becoming an increasingly important workplace benefit in the twentieth century since the average working Canadian must now finance at least 15 – 20 years of retirement from employment earnings. This number will continue to increase as Canadians live longer due to improved health conditions.

Instructors should clarify for students that the pensions discussed here are private plans offered by companies, not the Canada Pension Plan, which is operated by the federal government and is mandatory for working Canadians.



## Unit 2 – Income and Benefits

### Suggestions for Assessment

Instructors could have students research local publicly traded companies to determine how their share value has changed since their initial public offering.

Instructors could discuss how much money students will require when they retire. Living expenses may decrease, but other expenses may go up. Students could calculate how much they will require when they retire, and how much they should save now to meet their anticipated standard of living when they retire.

### Resources

Newspaper, *The Telegram*.

Service Canada Website,  
[www.hrsdc.gc.ca/en/isp/common/cricinfo.shtml](http://www.hrsdc.gc.ca/en/isp/common/cricinfo.shtml)

## Unit 2 – Income and Benefits

### Outcomes

2.5.2 Give examples of health insurance benefits.

2.5.3 Describe stock options.

2.5.4 Define bonus.

### Notes for Teaching and Learning

Instructors should ensure that students understand that the health insurance discussed here is not MCP, a Newfoundland and Labrador government plan that covers all Newfoundlanders and Labradorians, working or not. Employer health insurance provides additional benefits such as subsidized dentistry, eyeglasses, prescriptions, health club memberships, etc, not covered by MCP.

Some companies offer stock options in their own company to employees as a benefit. Instructors could discuss with students how this benefits both employees and employers.

## Unit 2 – Income and Benefits

### Suggestions for Assessment

Instructors could use the ExamView Test Generator software to create a unit quiz for students. Instructors can customize the test to suit the needs of the class or add additional questions. Instructors should review the test questions and choose the questions and formats that suit the level of the students.

### Resources

CD-ROM, *Exploring Business for the 21<sup>st</sup> Century Computerized Assessment Bank*.

## Unit 3 – Using Income

### Outcomes

3.1 Distinguish between the various ways of using income.

3.1.1 Differentiate between gross and net income.

3.1.2 Define deduction.

3.1.3 Differentiate between mandatory and voluntary deductions.

3.1.4 Compare and contrast disposable and discretionary income.

3.1.5 Discuss reasons for saving money.

### Notes for Teaching and Learning

This unit introduces students to the concepts of gross income, net income, disposable income, and discretionary income. Some of the topics such as CPP and EI have been covered in the previous unit but will also be elaborated upon here.

Disposable income is the remaining money that can be used to meet the necessities of life after all mandatory and voluntary deductions are paid. Discretionary income is the remaining income that can be spent as one chooses after the necessities of life have been met. If too much disposable income is spent meeting needs, there is little or no discretionary income.

Instructors should point out that saving means spending less on current wants. Instructors could ask students to suggest reasons why Canadians save less now than they did years ago. Possible reasons include:

- housing value appreciation that boosts household's net worth
- low interest rate levels that make savings less attractive and borrowing costs easier to bear
- growing importance of government policy and transfer payments which reduce the incentive to save
- an aging population that triggers spending of retirement funds
- slower pace of growth in personal income that leaves lesser funds after personal consumption
- increased/improved access to credit that lowers the need for a "saving cushion".

## Unit 3 – Using Income

### Suggestions for Assessment

Students are required to complete **Assignment 3**, *Understanding Earnings Statements*, found in Appendix C of the Study Guide. The answer key is found in Appendix B of the Curriculum Guide

### Resources

*Exploring Business for the 21<sup>st</sup> Century*, Chapter 10, pages 264 – 291.

*Exploring Business for the 21<sup>st</sup> Century Teacher's Resource*, Chapter 10, pages 132 – 143.

Appendix B, *Assignment 3: Understanding Earnings Statements Answer Key*.

## Unit 3 – Using Income

### Outcomes

3.1.6 Differentiate between Registered Retirement Savings Plans (RRSPs) and the Canadian Pension Plan (CPP).

3.2 Discuss types of commonly incurred taxes.

3.2.1 Identify the main classes of Canadian taxes.

3.2.2 Describe income tax.

3.2.3 Describe income tax deductions.

3.2.4 Describe the relationship between taxable income and tax credit.

3.2.5 Describe property tax.

### Notes for Teaching and Learning

In this unit, students will be introduced to RRSPs, and in the next unit they will learn more about the types of investments Canadians typically choose. Most Canadians who invest will shelter as much of their investment as is eligible in such a plan.

Instructors could discuss the general types of deductions that they can claim on their income tax. RRSPs are common investments since the amount invested in an RRSP is deducted from taxable income. In other words, it reduces the taxes to be paid, allowing people to save for retirement while reducing taxes. Instructors should ensure that students understand that an RRSP is a tax shelter, not a particular type of investment. All types of investment covered in this unit – bonds, stocks, GICs, mutual funds – can be registered as RRSPs and reduce the individual's taxes. Instructors should also point out that when an individual takes out his or her RRSP, that money will be taxed at the individual's current income level.

Unless students are homeowners, they many not know much about property tax. They should understand that mil rates are set by municipal governments, and they may vary from municipality to municipality.

## Unit 3 – Using Income

### Suggestions for Assessment

Students are required to complete and submit for marking a fourth assignment, which involves completing selected income tax scenarios found in the Canada Revenue Agency Teaching Taxes Program Student Workbook. This workbook can be downloaded from CRA's website, or hard copies can be ordered free of charge. Instructors should order several copies at the beginning of each tax year and select the scenarios to be completed. It is important to either download or order new workbooks each year since tax laws regularly change and the assignment should be relevant and meaningful. The teacher's manual can only be found online. It is recommended that a minimum of three relevant scenarios be included in the assignment.

Instructors should encourage students to determine the mill rate in their hometown, and calculate the amount of property taxes that would be paid on an average home.

### Resources

CRA Teaching Taxes Program,  
<http://www.cra.gc.ca/teachtax>

## Unit 3 – Using Income

### Outcomes

3.2.6 Distinguish between GST, PST and HST.

3.3 Evaluate the products and services of financial institutions.

3.3.1 Differentiate between banks, credit unions and trust companies.

3.3.2 Differentiate between a savings and chequing account.

3.3.3 Describe pre-authorized payments.

3.3.4 Describe mortgage loans.

3.3.5 Discuss the advantages and disadvantages of closed and open mortgages.

### Notes for Teaching and Learning

The text does not go into great detail about sales taxes, but students should grasp that they are another way that governments finance their services. Instructors should ensure that students understand that the federal Goods and Services Tax (GST) is levied only on the final consumer of goods and services. HST is not covered in the text, so instructors should inform students that only some provinces such as Newfoundland and Labrador charge Harmonized Sales Tax (HST), which is a combination of GST and PST.

Because financial institution customers increasingly pay bills online, the chequing account is no longer exclusively tied to the paper cheque, and is best seen as an account in which money is held temporarily until it is released for a current purpose – mortgage, credit card payment, savings plan, rent taxes, preauthorized payment, or any other similar purpose.

Students may have difficulty understanding the concept of the term of a mortgage (anywhere from 20 to 30+ years), because a typical mortgage comes up for renewal after only three to five years. Instructors should explain that mortgage lenders will not agree to a fixed rate for the life of the mortgage because interest rates could rise and the lender will lose money.



## Unit 3 – Using Income

### Suggestions for Assessment

Students could compare the interest rates of savings accounts at various financial institutions by visiting their respective websites.

Students could visit financial institutions' websites and compare the different mortgage rates that are available. Instructors could ask why a home owner would possibly select a longer term mortgage at a higher interest rate than a shorter term mortgage at a lower interest rate.

### Resources

## Unit 3 – Using Income

### Outcomes

### Notes for Teaching and Learning

	<p>Instructors should point out that five year mortgage rates are often higher than three year rates. This is because financial institutions assume that interest rates will rise. This does not necessarily mean that a borrower is better off with a three year mortgage. Rates could rise more or less than the financial institutions think they will. The borrower, like the investor, must bet money on his or her opinion, in this case by deciding between the three year and the five year term.</p>
3.3.6 Define collateral.	
3.3.7 Describe Guaranteed Investment Certificates (GICs).	<p>Instructors should explain that rates for GICs are generally higher than for savings accounts because the financial institution ties up the money for a fixed period of time.</p>
3.3.8 Describe mutual funds.	<p>Instructors should explain that mutual funds allow investors to invest in the stock market with less risk, since each mutual fund contains many different stocks in its portfolio. One poorly performing stock will not have an overall net impact on the performance of the fund.</p>

## Unit 3 – Using Income

### Suggestions for Assessment

Instructors could use the ExamView Test Generator software to create a unit quiz for students. Instructors can customize the test to suit the needs of the class or add additional questions. Instructors should review the test questions and choose the questions and formats that suit the level of the students.

### Resources

CD-ROM, *Exploring Business for the 21<sup>st</sup> Century Computerized Assessment Bank*.

## Unit 4 – Managing Money

### Outcomes

4.1 Explain how fluctuations in interest rates affect saving, investing, and spending decisions.

4.1.1 Define interest rate.

4.1.2 Discuss the impact of interest rates on savings.

4.1.3 Discuss the impact of interest rates on the cost of borrowing.

4.1.4 Define inflation.

4.1.5 Discuss the impact of interest rates on stocks and bonds owned by investors.

4.1.6 Explain how interest rates affect an investor's decision to buy stocks or bonds.

### Notes for Teaching and Learning

Instructors should emphasize that because interest is the money that capital earns when it is deposited or invested in a debt instrument, fluctuations in the interest rate strongly affect the financial markets. Students should realize that these fluctuations help guide investors' choices.

Instructors could review the business cycle with students, which was covered in Unit 1. By looking at the business cycle from an investor's point of view, they should recognize that changes in interest rates follow the business cycle.

Students should recognize that the prime rate follows the bank rate very closely. Investors should borrow when rates are low, but save when they are high.

Changes in the interest rate will have a direct impact on students. Higher interest means borrowing for a vehicle, home, and education will cost more. It also means that savings provide more interest. Lower interest rates will have the opposite impact.

Instructors should explain how interest rates affect investments, mainly by creating competition for funds between the bond market and the stock market. Instructors could ask students whether they would invest their money in stocks or bonds if they had 10,000 to invest. If the interest rates are low, investors should risk at least some money in the stock market. If they are high, investors can make considerable gains at lower risk by buying bonds.

## Unit 4 – Managing Money

### Suggestions for Assessment

### Resources

*Exploring Business for the 21<sup>st</sup> Century*, Chapter 11, pages 293 – 321.

*Exploring Business for the 21<sup>st</sup> Century Teacher's Resource*, Chapter 11, pages 144 – 156.

## Unit 4 – Managing Money

### Outcomes

4.1.7 Describe how interest rates affect household spending.

4.2 Describe various types of investment alternatives.

4.2.1 Investigate the advantages and disadvantages to the investor of GICs, Canada Savings Bonds, regular low-risk bonds, mutual funds, and stocks.

4.2.2 Explain what is meant by a tax shelter.

### Notes for Teaching and Learning

Instructors should ask students how they think interest rates affect their spending. For example, how do high interest rates affect spending of consumable goods, such as fast food? Since fast food is paid for in cash, high interest rates will not have a direct impact on the consumer. However, the fast food business must raise prices to support high interest rates for business borrowing. Additionally, a high interest rate may encourage the consumer to keep savings in the bank, and eat at home. High interest rates would have a direct impact on borrowing money for larger goods, such as a car. Directly, the overall cost of the car depends on the interest rate. Indirectly, the employee needs to earn enough to pay for the car, so he or she may need to work more hours and earn more money.

Students should understand that in a diversified investment portfolio risk is reduced because different stocks rise and fall independent of each other.

When discussing GICs, students should understand that investors choose GICs when interest rates are high and they won't need the money before the term. Additionally, GICs are considered safe because the Canada Deposit Insurance Corporation insures them.

Students have already learned about the effect of interest rates on bonds in the previous unit. In this unit, they will learn that bonds differ from one another in level of safety. Instructors should discuss the relative safety of bonds compared with stocks. In some instances, bonds are safer, such as Canada Savings Bonds versus mining company stocks, but in other cases stocks are safer, such as blue chip stocks versus junk bonds. Students should understand that any investment that might make a lot of money is not free of risk, and that investors should avoid both fear and greed, and strive for balance.

**Unit 4 – Managing Money**

**Suggestions for Assessment**

**Resources**

## Unit 4 – Managing Money

### Outcomes

4.3 Demonstrate personal budgeting skills.

4.3.1 Distinguish between a budget and a financial plan.

4.3.2 Produce a realistic personal budget.

### Notes for Teaching and Learning

Students were introduced to mutual funds in the previous unit. In this unit, they will learn that the investor who does not play the stock market invests in a fund to gain the benefit of the fund manager's expertise in return for a small management fee and to focus investment on a particular strategy. Instructors should ensure that students understand that mutual funds can hold bonds, mortgages, or precious metals, not just stocks. However, the fund operates according to an investment strategy. A bond fund, for example, would not invest in mortgages.

Because of the inherent risk of investing in stocks, students may wonder why anyone would invest in the stock market. Students should understand that people buy stocks because the right stock easily outperforms other investments. However, the stock market also requires the investor to spend time learning what to buy and when to sell.

Students should understand that RRSPs are the main sources of income for many Canadians whose workplaces do not offer pensions, or for entrepreneurs. Instructors should stress the importance of contributing to an RRSP as early as possible so that the effects of compound interest can best be realized.

The topic of personal budgets should be handled discreetly, due to the personal nature of much information.



## Unit 4 – Managing Money

### Suggestions for Assessment

Students are required to complete and submit for marking **Assignment 5**, *Producing a Personal Budget*, found in Appendix D of the Study Guide. The answer key is found in Appendix C of the Curriculum Guide.

Instructors could use the ExamView Test Generator software to create a unit quiz for students. Instructors can customize the test to suit the needs of the class or add additional questions. Instructors should review the test questions and choose the questions and formats that suit the level of the students.

### Resources

Appendix C, Assignment 5:  
*Producing a Personal Budget*  
*Answer Key.*

CD-ROM, *Exploring Business for the 21<sup>st</sup> Century Computerized Assessment Bank.*



# **Appendix A**

## **Assignment 1: Supply and Demand Answer Key**



# Assignment 1: Supply and Demand

## ANSWER KEY

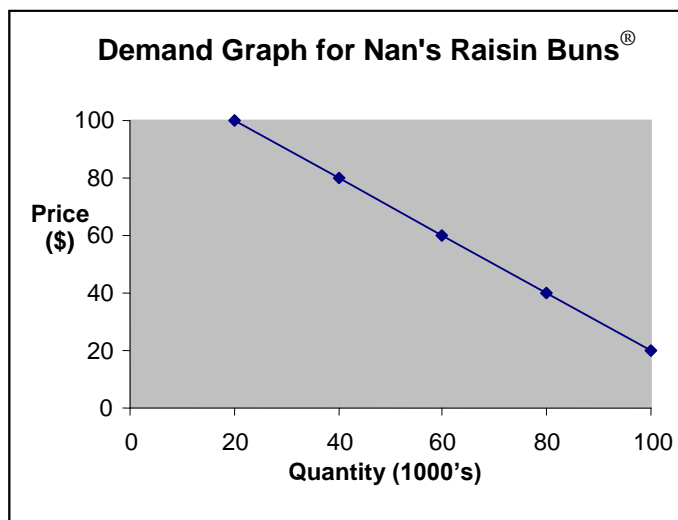
Refer to the following table to answer questions 1 – 4:

*Demand Schedule for Nan's Raisin Buns<sup>®</sup>*

Price/Bun	Quantity Demanded (1000's)
\$1.00	5
\$0.75	10
\$0.50	15
\$0.25	20

1. What is the quantity demanded at a price of \$1.00? (2 marks) **5000**
2. What is the quantity demanded at a price of \$0.25? (2 marks) **20,000**
3. As price goes down, what happens to the quantity demanded? (2 marks) **Increases**
4. As price goes up, what happens to the quantity demanded? (2 marks) **Decreases**

Refer to the following graph to answer questions 5 – 8:



5. What does the demand curve look like? (2 marks) **It is downward sloping.**
6. Why is it downward sloping? (4 marks) **Because as the price goes down the quantity demanded goes up and as price goes up the quantity demanded goes down.**

7. What is the one factor that resulted in consumer tastes for Nan's Raisin Buns<sup>®</sup> to change? (2 marks) **Price.**
8. Why are consumers willing and able to buy more of a product at a lower price? (4 marks) **With a given amount of income, a lower price means consumers can afford to buy more of a product. Also, when the price of a product falls consumers will substitute this less expensive product for more expensive similar products.**
9. If Nan's Raisin Buns<sup>®</sup> were endorsed by a famous celebrity and their popularity increased, what do you think would happen to the quantity demanded at all prices? (2 marks) **Increases.**
10. Which of the following demand shifters caused this change in demand? (2 marks)
- Change in the number of consumers.
  - Change in consumer tastes and preferences.**
  - Change in consumer income.
  - Change in the price of a substitute good.
  - Change in the price of a complimentary good.
11. If personal income taxes decreased, what might happen to the quantity of Nan's Raisin Buns<sup>®</sup> demanded at all prices? (2 marks) **Increases.**
12. Which of the following demand shifters caused this change in demand? (2 marks)
- Change in the number of consumers.
  - Change in consumer tastes and preferences.
  - Change in consumer income.**
  - Change in the price of a substitute good.
  - Change in the price of a complimentary good.
13. If Nan's Raisin Buns<sup>®</sup> were introduced in another country and became popular, what do you think would happen to the quantity demanded of Nan's Raisin Buns<sup>®</sup>? (2 marks) **Increases.**
14. Which of the following demand shifters caused this change in demand? (2 marks)
- Change in the number of consumers.**
  - Change in consumer tastes and preferences.
  - Change in consumer income.
  - Change in the price of a substitute good.
  - Change in the price of a complimentary good.
15. If the price of Tea Biscuits by Ignatius<sup>®</sup> decreases, what might happen to the demand for Nan's Raisin Buns<sup>®</sup>? (2 marks) **Decreases.**

16. Which of the following demand shifters caused this change in demand? (2 marks)
- a. Change in the number of consumers.
  - b. Change in consumer tastes and preferences.
  - c. Change in consumer income.
  - d. **Change in the price of a substitute good.**
  - e. Change in the price of a complimentary good.
17. If poor quality raisins were used in the production of Nan's Raisin Buns<sup>®</sup> and their popularity decreased, what do you think would happen to the quantity demanded? (2 marks) **Decreases.**
18. Which of the following demand shifters caused this change in demand? (2 marks)
- a. Change in the number of consumers.
  - b. **Change in consumer tastes and preferences.**
  - c. Change in consumer income.
  - d. Change in the price of a substitute good.
  - e. Change in the price of a complimentary good.
19. If the price of tea bags decreases, what might happen to the demand for Nan's Raisin Buns<sup>®</sup>? (2 marks) **Increases.**
20. Which of the following demand shifters caused this change in demand? (2 marks)
- a. Change in the number of consumers.
  - b. Change in consumer tastes and preferences.
  - c. Change in consumer income.
  - d. Change in the price of a substitute good.
  - e. **Change in the price of a complimentary good.**





# **Appendix B**

## **Assignment 3: Understanding Earnings Statements**

### **Answer Key**



## Assignment 3: Understanding Earnings Statements

**Directions:** Review the sample pay stub and answer the questions that follow. Show your workings where applicable.

### Department of Government Services

13 Churchill St  
Happy Valley – Goose Bay, NL A0P 1E0

Pay Group:	OHSO	Business Unit:	OHSNL
Pay Begin Date:	03/19/2008	Advice #:	0137582
Pay End Date:	04/01/2008	Advice Date:	04/01/2008

Olive McLovin 17 Morris St Wabush, NL A0R 1B0	Employee ID:	195003962	TAX DATA:	Federal	Quebec	NL
	Department:	Occupational Health & Safety Division	Net Claim Amt:	9600.00		7,566.00
	Location:	Dept of Government Services, Wabush	Spcl Letters:			
	Job Title:	Hazardous Materials Officer	Addl Pct:			
	Pay Rate:	\$1823.50	Addl Amt:			

HOURS AND EARNINGS						TAXES			
Description	-----Current-----			-----YTD-----			Description	Current	YTD
	Rate	Hours	Earnings	Hours	Earnings				
Regular Basic Pay	26.05	63.00	1,641.15	476.00	12,399.80	CIT	428.59	3,000.09	
Statutory Holiday	26.05	7.00	182.35	14.00	364.70	CPP	103.15	722.02	
						EI	38.38	268.64	
<b>Total:</b>		70.00	1,823.50	490.00	12,764.50	<b>Total:</b>	570.12	3,990.05	
BEFORE-TAX DEDUCTIONS			AFTER-TAX DEDUCTIONS			EMPLOYER PAID BENEFITS			
Description	Current	YTD	Description	Current	YTD	Description	Current	YTD	
Public Service Pension Plan	128.99	956.80	Group Medical	15.27	106.89	Group Medical	15.27	106.89	
			Group Life	5.40	37.80	Group Life*	5.40	37.80	
			Voluntary Life	2.80	19.60	Group AD/D*	0.45	3.15	
			Group AD/D	0.45	3.15	Public Service Pension Plan	128.99	956.80	
			Optional AD/D	2.70	18.90	Worker's Compensation Board	16.64	116.48	
			Long Term Disability	26.10	182.70				
			Union	24.00	168.00				
<b>Total:</b>	128.99	956.80	<b>Total:</b>	76.72	537.04	*Taxable			
TOTAL GROSS		CIT TAXABLE GROSS	TOTAL TAXES		TOTAL DEDUCTIONS		NET PAY		
Current:	1,823.50	1,688.66	570.12	205.71	1,047.68				
YTD:	12,764.50	11,402.05	3,990.05	1,493.84	7,279.91				
						NET PAY DISTRIBUTION			
						Total:	1,047.68		

### Questions:

1. If McLovin is paid biweekly, how many paychecks will she get in a year? (2 marks) **26**
2. How many hours does she work a week? (2 marks) **35**
3. What is McLovin's annual salary? (2 marks) **\$47,411**
4. What percent of her gross biweekly pay is deducted for income tax? (2 marks) **23.5%**
5. Visit the Canada Revenue Agency's website ([www.cra.gc.ca](http://www.cra.gc.ca)) to answer the following questions:
  - a. How much net federal income tax will McLovin be required to pay based on her current annual salary? (2 marks) **See website to answer question.**

- b. How much net Newfoundland and Labrador provincial income tax will she be required to pay based on her current annual salary? (2 marks) **See website to answer question.**
- c. Is McLovin having enough income tax deducted from her biweekly paycheck? Explain. (4 marks) **See website to answer question.**
6. How much is McLovin paying for insurance biweekly? (2 marks) **\$52.72** Annually? (2 marks) **\$1370.72**
7. If McLovin decided to stop paying for life insurance (Group Life, Voluntary Life, Group AD/D, Optional AD/D, Long Term Disability), what would be the total amount of her deductions? (2 marks) **\$168.26** Do you think this is a good idea? Why or why not? (2 marks) **Answer will vary**
8. How much extra does McLovin earn biweekly in the form of her public service pension plan, health insurance, and life insurance benefits? (2 marks) **\$147.11**
9. What is the difference in net pay and gross pay? (2 marks) **\$775.82** What percentage of her gross pay does she actually receive? (2 marks) **57.5%**
10. As an employee, why is it important to know your total monthly deductions? (2 marks) **Answers will vary**

# **Appendix C**

## **Assignment 5: Producing a Personal Budget Answer Key**



## Assignment 5: Producing a Personal Budget Answer Key

Use the attached budget sheets to set up and maintain Gabrielle's budget. Then, use the other sheet to rework Gabrielle's budget so that it realistically reflects her financial situation.

### ***her planned income and expenses***

Gabrielle works part-time at a greeting card company and part-time at a music store. The net monthly income from her first job is \$600. The net monthly income from her second job is \$800.

Her planned fixed monthly expenses include:

- \$233 for rent and utilities (she shares an apartment with two friends)
- \$40 for phone
- \$15 for cable
- \$110 for car payment
- \$168 for car insurance

Her planned flexible expenses include:

- \$100 (to save for post-secondary education)
- \$150 for food
- \$160 for gas and oil
- \$50 for clothes
- \$60 for entertainment
- \$30 for personal and household items

### ***how her month actually went***

1. What she made:
  - Gabrielle made an extra \$45 in overtime pay this month
2. What her fixed expenses actually were:
  - Rent went up to \$250, starting this month
  - Her monthly car insurance premium, as of this month, went up to \$180
3. What her flexible expenses actually were:
  - \$190 for food (she had a dinner party for which she hadn't budgeted)
  - \$185 for gas and oil (her car needed an oil change)
  - \$20 for parking
  - \$220 for car repairs
  - \$80 for a new pair of running shoes
  - \$70 for entertainment

- \$60 for personal items
  - \$36 for a birthday present for her mother
  - \$0 saved for post-secondary education
4. Unforeseen events:
- Gabrielle got two speeding tickets in one week. The total cost of both tickets is \$185.

### ***how does her budget look now?***

1. Using the attached budget sheet, set up Gabrielle's planned and actual budget. (10 marks)
2. What is the difference between Gabrielle's planned expenses and her actual expenses? (2 marks) **Actual was \$1586, planned was \$1056. Difference is \$525.**
3. In what areas did she overspend? (2 marks) **Food, transportation, clothing, entertainment, personal, other (tickets, birthday present)**
4. In what areas did she spend less than she planned? (2 marks) **Savings.**
5. How much did she spend for the use of her car this month? (2 marks) **\$495 not including tickets.**
6. How much money did she have at the end of the month to put into savings? (2 marks) **None.**

### ***if it were your budget...***

1. Using the attached budget sheet, or spreadsheet software such as Excel, set up a new budget for Gabrielle. Feel free to use your own budget sheet if you would like to add or remove expenses. Use Gabrielle's income as a starting point. Try to keep her budget as realistic as possible. (10 marks)
2. What did you change about the budget? (2 marks) **Answers will vary. Since her car is her greatest expense, some students may suggest selling the car and using the bus instead.**
3. How much would you save each month to put toward your personal and financial goals? (2 marks) **Answers will vary.**



### ***gabrielle's current budget***

<b>income</b>	<b>budget</b>	<b>actual</b>	<b>difference</b>
Job #1	\$600.00	\$600.00	
Job #2	\$800.00	\$800.00	
Other	\$	\$45.00	
<b>total monthly income</b>	<b>\$1,400.00</b>	<b>\$1,445.00</b>	<b>\$45.00</b>
<b>expenses</b>	<b>budget</b>	<b>actual</b>	<b>difference</b>
<b>fixed expenses</b>			
Rent	\$233.00	\$250.00	\$17.00
Car insurance	\$168.00	\$180.00	\$12.00
Car payment	\$110.00	\$110.00	\$0.00
Other	\$	\$	\$
<b>flexible expenses</b>			
Food/Eating out	\$150.00	\$190.00	\$40.00
Utilities	\$	\$	
Transportation	\$	\$	
Bus fare	\$	\$	
Gas & oil	\$160.00	\$185.00	\$25.00
Parking	\$	\$20.00	\$20.00
Repairs	\$	\$220.00	\$220.00
Other	\$	\$185.00	\$185.00
<b>other</b>			
Savings	\$100.00	\$0.00	\$(100.00)
Clothing	\$50.00	\$80.00	\$30.00
Entertainment	\$60.00	\$70.00	\$10.00
Personal items	\$30.00	\$60.00	\$30.00
Medical (e.g. Rx)	\$	\$	
Household items	\$	\$	
Tuition/school expenses	\$	\$	
Other	\$	\$36.00	\$36.00
<b>Total monthly expenses</b>	<b>\$1,061.00</b>	<b>\$1,586.00</b>	<b>\$525.00</b>
<b>Income – Expenses</b>	<b>\$339.00</b>	<b>\$(141.00)</b>	

### ***gabrielle's new and improved budget***

<b>income</b>	<b>budget</b>
Job #1	\$
Job #2	\$
Other	\$
<b>total monthly income</b>	<b>\$</b>

<b>expenses</b>	<b>budget</b>
<b>fixed expenses</b>	
Savings	\$
Rent	\$
Car insurance	\$
Car payment	\$
Other	\$
<b>flexible expenses</b>	
Food/Eating out	\$
Utilities	\$
Transportation	\$
Bus fare	\$
Gas & oil	\$
Parking	\$
Repairs	\$
Other	\$
<b>other</b>	
Clothing	\$
Entertainment	\$
Personal items	\$
Medical (e.g. Rx)	\$
Household items	\$
Tuition/school expenses	\$
Other	\$
<b>Total monthly expenses</b>	<b>\$</b>
<b>Income – Expenses</b>	<b>\$</b>