Subject: Junior Cycle Business Studies
Teacher: Ms. Naomi Keenan
Lesson: Personal Resources Income and Expenditure

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1.0 Learning Intentions



Upon completion, students should be able to:

- Explain what resources are and the resources they have in their lives
- Understand the difference between needs and wants
- Describe how a person's needs and wants can change over their lifetime
- Understand the difference between opportunity cost and financial cost
- Understand the impact that using their resources has on others
- Outline different sources of household income
- Distinguish between regular income and irregular income
- Understand 'benefit in kind' and be able to give examples
- Understand the relationship between income and taxation
- Distinguish between gross and net income and also statutory and voluntary deductions
- Compile a household income plan
- Explain the difference between fixed, irregular and discretionary expenditure
- Prioritise expenditure
- Illustrate the difference between current and capital expenditure
- Explain impulse buying and false economies
- Compile a household expenditure plan

RESOURCES

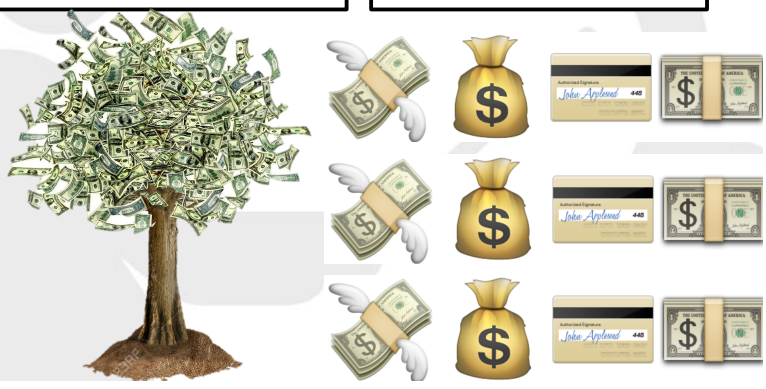
Resources are the things we use to achieve our goals.
They can be financial resources, human resources, physical resources or natural resources.

Goal: To do well in my Junior Cycle Business Studies
What resources do you need to do this?

PHYSICAL RESOURCES	HUMAN RESOURCES	FINANCIAL RESOURCES	NATURAL RESOURCES
List some here:	List some here:	List some here:	List some here:

LIMITED RESOURCES

Limited resources means that we have to choose between alternatives
Money is valuable and in lots of cases, scarce!
It can improve lives. When we are spending our money, we should think about how it affects the lives of others. We have to **prioritise** our spending. How can you be smart with your money?





NEEDS V WANTS



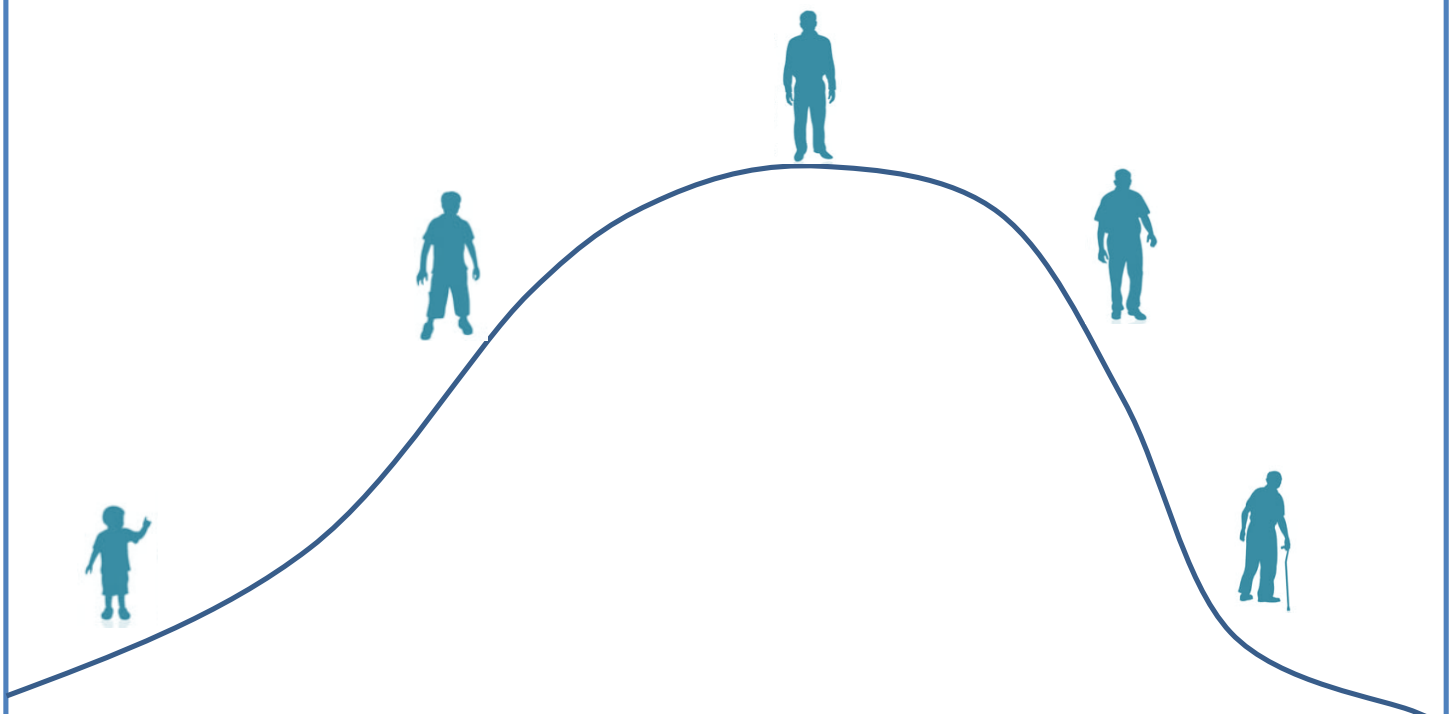
NEEDS

A need is those goods and services that are necessary for our survival. Needs that are common to everyone are: (1) food, (2) clothing and (3) shelter.

WANTS

Wants are goods and services that are not necessary for survival but people desire them in their lives. People have many wants that might improve their quality of life!

FINANCIAL LIFE CYCLE – Where do the following get money? What do they need money for at each stage of their lives?



FINANCIAL COST is the amount of money it costs to purchase the goods or services you want.

The **OPPORTUNITY COST** of buying something is the item we have to do without when we purchase another.

HOUSEHOLD INCOME – MONEY COMING *INTO* A HOUSE

Income: money **received** by a household/family.
Regular income: income received **every** week or every month e.g. salary.
Salary: Fixed annual payment made by an employer to an employee for the work that they do during the year.
Wage: The amount is not fixed. It is a payment received for work done.



Irregular income: income received **from time to time** e.g. lottery winnings.
Benefit-in-kind: a **non-cash** form of income e.g. use of company car.
Overtime: the **extra hours** a person works in a day after they have worked their basic working hours, e.g. if a person normally works eight hours each day and on a day they work **12 hours**, they have worked **four** hours overtime.
Child benefit: It is paid by the Department of Social Protection to all parents/guardians of children that are within the education system.
Grant: It is paid by the Department of Education and Skills to students studying at college.
Jobseeker's Benefit/Unemployment Benefit: It is a weekly payment paid by the Department of Social Protection to unemployed people.
Disposable Income: Income that remains after statutory deductions have been made.



HOUSEHOLD EXPENDITURE – MONEY GOING *OUT* OF A HOUSE

Expenditure: money **spent** during a particular period.
Fixed Expenditure: Expenditure that **remains the same** from one month to the next e.g. mortgage.
Irregular Expenditure: Spending that **changes** from one month to the next e.g. household costs, light and heat etc.
Discretionary Expenditure: Spending on **unnecessary items (wants, not needs)** if one has **surplus cash** e.g. holidays.
Impulse buying: **spur of the moment purchases** without regard of the consequences.
Opportunity cost: the opportunity cost of buying something is the item we **had to do without** when we purchased another.
Mortgage: A loan from a bank or building society to help someone buy a house.

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EXPENDITURE

CURRENT	Day-to-day expenditure. Happens regularly and ongoing e.g. heating bill, telephone bill, groceries.
CAPITAL	Once off spending on items that will last a long period of time e.g. new sofa, new laptop, new car.

KEYTERMS

False economy:
It is the purchase of an item which appeared to be a waste of money. It is spending money on something intended to save money but in the long term, cost money.

Impulse buying:
It is buying something which is not part of one's budget. It's buying something on the spur of the moment without considering the financial consequences.

GROSS PAY

minus

DEDUCTIONS

STATUTORY DEDUCTIONS (DEDUCTIONS THAT **MUST** BE MADE)

USC

UNIVERSAL SOCIAL CHARGE

A tax on income that has been in place since 2011, which has helped increase the Government finance and to balance the budget.

PAYE

PAY AS YOU EARN

To fund the Government (current) expenditure on the running of all government departments e.g. paying wages of public servants

PRSI

PAY RELATED SOCIAL INSURANCE

To pay for social welfare benefits
- Jobseeker's benefit /Jobseekers Allowance
- Old age pension
- Disability/injury benefit
- Dental treatment
- Optical treatment

VOLUNTARY DEDUCTIONS (DEDUCTIONS THAT YOU **CHOOSE** TO MAKE)

Voluntary pension, gym membership, health insurance for example.

equals

NET PAY

Planning & Recording Income
Household Income Plan

PLANNED INCOME	JANUARY €	FEBRUARY €	MARCH €	TOTAL €
Salaries	1,700	1700	1700	**5100**
Child Benefit	280	280	280	**840**
Interest	50	50	50	**150**
Other	100	0	20	**120**
TOTAL INCOME	**2,130**	**2,030**	**2,050**	**6,210**

Planning & Recording Expenditure
Household Expenditure Plan

PLANNED EXPENDITURE	JANUARY	FEBRUARY	MARCH	TOTAL
FIXED				
Annual house insurance		720		**720**
Car insurance	60	60	60	**180**
Mortgage	900	900	900	**2700**
Subtotal	**960**	**1,680**	**960**	**3,600**
IRREGULAR				
Telephone	60	210	60	330
Light and heat costs	135	0	135	270
Car running costs	140	140	140	420
Household costs	620	620	620	1,860
Subtotal	**955**	**970**	**955**	**2,880**
DISCRETIONARY				
Entertainment costs	**90**	**120**	**110**	**320**
Holidays	**0**	**0**	**1,000**	**1,000**
House decoration	**0**	**0**	**2,200**	**2,200**
Subtotal	**90**	**120**	**3,310**	**3,520**
TOTAL EXPENDITURE	**2,005**	**2,770**	**5,225**	**10,000**

Video Links

Video 1

1) Opportunity Costs (the 'Price' of Missed Opportunities) Explained in One Minute

https://www.youtube.com/watch?v=TNxg1auV2AM

Video 2

2) Net vs. Gross (Income, Pay-Salary, etc.) in One Minute- Definition-Difference, Explanation, Examples

https://www.youtube.com/watch?v=1IXAt33nz0A