



Jump\$Start Washington Curriculum Unit Two Chapter Six: Understanding Income and Expenses

Chapter Learning Objectives

1. Understand what your income and expenses are.
2. Know how to calculate cash flow.
3. Recognize the importance of cash flow.
4. Take responsibility for personal financial decisions.
5. Learn financial terms.

Episode 123 Synopsis

There are proven methods for getting expenses under control, while growing income with new ideas, smarter work habits, and innovation. There is an ebb and flow to income and expenses. Different tools, such as computer programs and paper ledgers, can help you keep track as you budget for positive cash flow.

Jump\$Start Standards Correlations

Financial Responsibility and Decision-Making

- Take responsibility for personal financial decisions.
- Make financial decisions by systematically considering alternatives and consequences.

Planning and Money Management

- Develop a plan for spending and saving.
- Apply consumer skills to purchase decisions.
- Develop a personal financial plan.

Washington State Standards Correlations

SOCIAL STUDIES

2. ECONOMICS - The student applies understanding of economic concepts and systems to analyze decision-making and the interactions between individuals, households, businesses, governments, and societies.
 - 2.1 Understands that people have to make choices between wants and needs and evaluate the outcomes of those choices. (Grades 1-2 and 4-12)
 - 2.4 Understands the economic issues and problems that all societies face. (Grades 4 and 6-12)

Lesson Prep and Supplies

Getting Started

1. Familiarize yourself with this **BizKid\$** episode by watching it ahead of time. The episode will serve as a springboard to student learning, discussions, vocabulary exploration, and related hands-on activities.
2. Determine what equipment is required to show the episode in the classroom and request it if needed.
3. Choose an activity and gather supplies to learn about “Understanding Income and Expenses.”

Equipment & Supplies for Preview and Screening

Time Needed: 45-60 minutes

Items Needed For Class:

TV/DVD Player
DVD of Episode 301
Projection System

Items Needed for Each Student:

Pencil or Pen
Paper for taking notes
Copy of BizTerms sheet for each student

Activity One: Preview and Screening

Introduction

Briefly explain that **BizKid\$** is a public television series that teaches kids about money and business. Mention that the bizkids.com website has lots of video clips, games, a blog, and other resources to help kids start businesses and learn about money.

Episode Preview Activity

Before you show **BizKid\$** episode 123, “Understanding Income and Expenses,” lead your students in a brief activity.

- Distribute paper and pen or pencil to each student. Let students know to list any questions they have for later discussion.

Ask students the following discussion questions:

- How does your family track income and expenses?
- Why is it important to know what money is coming in and what bills you are responsible for paying on time?

After the students discuss these questions as a group, tell them what they will see in episode 123 “Understanding Income and Expenses” as described below.

About the Episode

There are proven methods for getting expenses under control, while growing income with new ideas, smarter work habits, and innovation. There is an ebb and flow to income and expenses. Different tools, such as computer programs and paper ledgers, can help you keep track as you budget for positive cash flow.

Next Steps

Show the BizKid\$ episode. After the episode, ask students if they found answers to any of the questions they wrote on their sheets. Allow them to share and ask any questions that remain. Did they learn anything from the episode that will influence their behavior?

Distribute the list of BizTerms vocabulary to each student. Have them look up definitions. Papers are due in about 30 minutes. After 30 minutes have passed, give the students a copy of the definition sheet and they can check their own answers against the sheet.

Activity Two: BizTerms Vocabulary and Definitions

BizTerms Vocabulary

1. Balance
2. Cash flow
3. Credit
4. Debit
5. Expenses
6. Income
7. Minimum wage
8. Profit
9. Revenue
10. Taxes

BizTerms Definitions

1. Your balance is the amount of money that you actually have available in your account.
2. Cash flow is the movement of money from your account, which is positive if your income is greater than your expenses, and is negative if your income is less than your expenses.
3. A credit is a positive transaction in your account, one that adds money.
4. A debit is a negative transaction in your account, one that removes money.
5. Expenses are amounts of money spent to buy goods and services for yourself or your business.
6. Income is money earned through employment and investments.
7. Minimum wage is the lowest amount of pay per hour that an employee can legally earn.
8. Profit is money that is left after expenses have been paid for from a business or an investment.
9. Revenue is money or income that is earned, usually in a business.
10. Taxes are money collected by the government to help pay for society's expenses.

Activity Three: Write to Your Representative

Activity Learning Objectives

- Understand what your income and expenses are.

Supplies Needed

- Pen or pencil
- Student copies of “Know Your Expenses” worksheet

Directions

- Distribute a “Know Your Expenses” worksheet and a pen or pencil to each student.
- Allow 15 to 30 minutes for students to read the problems and write down possible solutions.
- Then have a class discussion to determine if students chose the same or different solutions to each particular problem. There can be more than one way to solve a problem. Have students support their choices by explaining their thinking.

Know Your Expenses Worksheet

In this episode of Biz Kid\$, there were all sorts of deductions taken out of people's paychecks. Some were for the government, and others were 'elective' deductions – benefits that you could choose to pay for if you wanted them. One of the government deductions that is required for U.S. citizens in all states is federal income tax.

Do you know where your federal income tax goes? A short list of services that are supported by federal income tax includes the following:

- United States military personnel, equipment, and veterans' programs
- Pay for interest fees that we owe on the national debt
- College loan programs
- Public schools
- Housing expenses
- Farm subsidies
- Homeland security
- The Department of Justice (DOJ)
- The Federal Bureau of Investigation (FBI)
- NASA
- ...and many more

Select one of the services above that you are grateful for, and write a letter to the two senators for your state. Thank them for supporting that service with your tax dollars. Take the time to ask any questions you have about how federal tax money is spent in the federal budget. And if you have any suggestions – like a good way to pay off the national debt – then share your ideas with them too!

Have students discuss these ideas and share their answers with the class.

Extra Credit: Actually mail or email your letter to your senators.

Activity Four: Calculate the Cash Flow

Activity Learning Objectives

- Know how to calculate cash flow.
- Recognize the importance of cash flow.

Supplies Needed

- Pencil with eraser
- Student copies of “Calculate the Cash Flow” worksheet

Directions

- Distribute a “Calculate the Cash Flow” worksheet and a pen or pencil to each student.
- Allow 15 to 30 minutes for students to read the problems and write down possible solutions.
- Then have a class discussion to determine if students chose the same or different solutions to each particular problem. There can be more than one way to solve a problem. Have students support their choices by explaining their thinking.

Calculate the Cash Flow Worksheet

Cash flow is one of the most important things for a business to pay attention to. Cash flow can be positive when income is more than the cost of expenses. Cash flow could be negative if expenses are more than the income of the business.

Look at the following problems and figure out the cash flow.

Example:

Jennifer is a chef who owns her own catering business. Today she bought ingredients for \$50. She bought a new silicon spoon for \$5 and a special carving knife for \$35. She catered a luncheon and earned \$100. What is her cash flow for today?

_____ \$100 income minus (\$50+ \$5) expenses = \$45 positive cash flow _____

1. Alex has a lawn mowing business. This week he spent \$25 on gasoline for his lawn mower. He mowed 3 lawns on Saturday and 2 lawns on Sunday, plus 1 each week day after school. What is his cash flow for the week if he earns \$20 for each lawn that he mows?

2. David delivers newspapers on Sunday mornings for 5 hours. He earns \$7 per hour for the delivery, plus any tips that are given to him. If his tips add up to \$50 for the month, and there were 4 Sundays this month, and he did not have any expenses, what is his cash flow for the month?

3. Kate delivers pizzas in her own truck on Friday and Saturday nights for 4 hours each night. She earns \$5 per hour, plus tips, and she got \$25 in tips on Friday and \$30 in tips on Saturday. This week, she spent \$75 on gasoline for her truck, and replaced the windshield wipers for \$15. What is her cash flow for this week?

4. Now create your own cash flow problem for your classmates to solve:

Have students discuss these ideas and share their answers with the class.

Resources

BusinessDictionary.com	A reliable source for the definition and explanation of financial terms.
MyMoney.gov	The U.S. government website dedicated to teaching Americans the basics of financial education.
National Financial Educators Council (NFEC)	NFEC and the NFEC EduNation Campaign provides complementary personal finance materials for parents, educators and concerned citizens interested in teaching children about money. http://www.financialeducatorsCouncil.org
360 Degrees of Financial Literacy	This is a free program to help Americans understand their personal finances through every stage of life. It is sponsored by the American Institute of Certified Public Accountants. http://www.360financialliteracy.org
Banking and Financial Systems	This is a textbook published by Goodheart-Wilcox. The ISBN number is 978-1-60525-778-5. http://www.g-w.com
Voluntary National Content Standards in Economic Education	This book is the 2 nd edition from the Council for Economic Education. The ISBN number is 978-1-56183-733-5. http://www.councilforeconed.org
Improving Financial Literacy: What Schools and Parents Can and Cannot Do	This book is published by Jump\$tart Coalition for Personal Financial Literacy. The ISBN number is 0-9666010-1-7. http://www.jumpstart.org