



Understanding Income and Expenses

EPISODE #123

LESSON LEVEL

Grades 4-6

KEY TOPICS

- Entrepreneurship
- Income and expenses
- Cash flow

LEARNING OBJECTIVES

1. Understand what your income and expenses are.
2. Know how to calculate your cash flow.
3. Recognize the importance of positive cash flow.
4. Learn financial terms.

EPISODE SYNOPSIS

The Biz Kid\$ watch the ebb and flow of income and expenses. Join them and you'll learn proven methods for getting expenses under control while growing income with new ideas, smarter work habits, and innovation. Meet some entrepreneurs who have seen success with cash flow and more!

NATIONAL STANDARDS CORRELATIONS

Aligned to *National Financial Literacy Standards* from the **JumpStart Coalition for Personal Financial Literacy**.

Financial Responsibility and Decision Making

Standard 1: Take responsibility for personal financial decisions.

Standard 4: Make financial decisions by systematically considering alternatives and consequences.

Planning and Money Management

Standard 1: Develop a plan for spending and saving.

Standard 4: Apply consumer skills to purchase decisions.

Standard 6: Develop a personal financial plan.

Aligned to *Voluntary National Content Standards in Economics* from the **Council for Economic Education**.

Standard 2: Decision Making

Standard 14: Entrepreneurship

Aligned to **Common Core State Standards Initiative's** standards for *Literacy in History/Social Studies, Science and Technical Subjects*.

Standard 1: Read closely to determine what the text says explicitly and to make logical inferences from it; cite specific textual evidence when writing or speaking to support conclusions drawn from the text.

Standard 4: Interpret words and phrases as they are used in a text, including determining technical, connotative, and figurative meanings, and analyze how specific word choices shape meaning or tone.

Standard 7: Integrate and evaluate content presented in diverse formats and media, including visually and quantitatively, as well as in words.

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LESSON PREP & SCREENING

Getting Started

Familiarize yourself with the episode ahead of time. It will serve as a springboard for student learning, discussions, vocabulary exploration, and hands-on activities. Determine what equipment is required to show the episode in your classroom and request it if needed. Choose an activity (each one takes between 45-60 minutes), and gather supplies. Students will need a pen or pencil and copies of the activity worksheets. Have fun!

Screening

Introduce the series and the episode. Explain that Biz Kid\$ 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. Prior to playing the episode, lead your students in a discussion with the preview questions on this page.

About the Episode

The Biz Kid\$ watch the ebb and flow of income and expenses. Join them and you'll learn proven methods for getting expenses under control while growing income with new ideas, smarter work habits, and innovation. Meet some entrepreneurs who have seen success with cash flow and more!

Episode Preview Questions

Before you show this Biz Kid\$ episode, lead your students in a brief discussion of the following questions:

- If you run a business, how will you know if you are making a profit?
- Why would it be important for a business owner to track income and expenses?
- How does your family track income and expenses?

Next Steps

Show this episode. After the episode, read the Summary and Conclusion to the class.

Summary and Conclusion

Track income and expenses to verify that a business is not spending more money than it is making. There are different tools to use in tracking income and expenses, including computer programs and paper ledgers. Stick to a budget to help keep costs down, and you will have positive cash flow like the Biz Kid\$!

Family Connection

Distribute a copy of the Family Activity Sheet to each student to share what they've learned with their families.



FAMILY ACTIVITY SHEET

Episode Synopsis

The Biz Kid\$ watch the ebb and flow of income and expenses. Join them and you'll learn proven methods for getting expenses under control while growing income with new ideas, smarter work habits, and innovation. Meet some entrepreneurs who have seen success with cash flow and more!

Activity Suggestions

Encourage your child to keep track of their income and expenses. After one week, review your child's spending together. Discuss ways to reduce expenses and increase income. Use examples from your own family income and expenses to illustrate strategies you use to maintain positive cash flow.

Visit a local library or bookstore to find a copy of the book "The Accounting Game: Basic Accounting Fresh From the Lemonade Stand" by Darrell Mullis and Judith Orloff. This book teaches kids (and adults!) how to accurately keep track of income, expenses, and cash flow just like professional businesses do. Read the book together, and discuss the scenarios with your child.



Activity #1:

BIZ TERM\$

WORKSHEET FOR STUDENTS

Biz Term\$

- Balance
- Cash flow
- Credit
- Debit
- Expenses
- Income
- Minimum wage
- Profit
- Revenue
- Taxes

Directions

With students, read aloud the Biz Term\$ and each question. Call on volunteers for answers, and have them explain why they chose the term they believe to be correct.

Biz Term\$ Episode Review

1. The government will collect _____ on your income.
2. If you spend more money than you earn, you have a _____ problem.
3. A business shows a _____ when income is greater than expenses.
4. Beginning jobs for workers may only pay _____.
5. Money a business earns can be called _____ or _____.
6. Your bank statement will show your account _____ for a period of time.
7. Subtracting an amount of money is also known as a _____.



CURRICULUM CONNECTIONS

Language Arts

- Have students construct sentences, write a paragraph, or create a story, skit, or dialog using Biz Term\$.
- Have students create a class Dictionary of Financial Terms using Biz Term\$.
- Have students start their own Journal of Personal Financial Education and continue to add to it.

History/Social Studies

- Coupons are one way to save money by reducing expenses. Have students research the history of coupons in the United States. Name one U.S. company that issued coupons in the 1800's? Describe different distribution methods for coupons through the 1900's and 2000's from paper tickets to electronic coupons on mobile devices.

Mathematics

- Mike started a swimming pool cleaning business. It cost him \$250 for tools and chemicals. He found three customers and charged them \$50 each for his service. Is he making a profit? What can he do to increase his income?

Economics

- Like businesses, governments must budget and track income and expenses. Using the internet or your local library, find information about the budget for your city. What is the total amount budgeted for this year? How much income is expected? How much is planned for expenses?

Optional Vocabulary Extensions

Make Art!

Ask students to create personal illustrated glossaries using sketches or cartoons to visually represent the meaning of each Biz Term.

Make It Personal!

Provide students with dictionaries and ask students to re-write formal definitions for each Biz Term in their own words to demonstrate comprehension.



Activity #2:

CASH FLOW

WORKSHEET FOR STUDENTS

Directions

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.

In this episode, one of the Biz Kid\$ had a lawn mowing business. He had earned a lot of money, but some of his customers did not pay on time. This caused a problem with cash flow. He had earned the money, but he had not received it yet. The amount of money owed to him was called accounts receivable.

Imagine that you are the owner of the lawn mowing business. Use the following information to put together a positive cash flow by the end of the summer.

- You want to earn \$1,200 by the 31st of August.
- You can mow 2 lawns per day - one in the morning and one in the afternoon.
- You charge \$15 per lawn.
- School is out June 1st through August 31st, and those are the days that you can mow lawns.
- You cannot mow lawns on the 4th of July, because it is a holiday.
- The gasoline for your lawn mower is \$4.00 per gallon, and your mower holds 2 gallons.
- A full tank of gas will last for 2 days of mowing.
- Your mower needs a tune up every 30 days.
- A tune up will cost \$200, and takes 2 days out of your schedule.
- For every 3 customers that pay you on time (the day that you mow their lawn), there is 1 customer who pays you 1 week later.

1. How many days do you have to work this summer to have a positive cash flow? _____
2. How many days do you have to work this summer to earn \$1,200 by the 31st of August? _____
3. How much money can you earn through August 31st, if you work both morning and afternoon every day that is not a holiday? _____

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



Activity #3:

INCOME AND EXPENSES

WORKSHEET FOR STUDENTS

Directions

You own a candy store. You need to track your income and expenses for the work that was done today. Use the table below and do the math to find the balance for the end of the day. Remember, if money comes in as income, it is a credit, and if money goes out as an expense, it is a debit. Keep a running total in the balance column.

Transaction	Credit	Debit	Balance
Example: Spend \$10 to buy a box of 100 peppermint sticks.		\$10.00	-\$10.00
Sell 25 peppermint sticks for 50 cents each.	\$12.50		\$ 2.50
1. Spend \$15 to buy a box of 100 individually wrapped jawbreakers.			\$
2. Sell 10 jawbreakers for \$1 each.			\$
3. Spend \$2 for cleaning wipes to keep your counters clean.			\$
4. Pay a worker \$8 per hour for the 4 hours they worked this morning.			\$
5. Spend \$25 to buy a box of 100 chocolate bars.			\$
6. Sell 80 chocolate bars for \$1 each.			\$
7. Sell 10 pounds of mixed wrapped candy for \$5 per pound.			\$

8. What are some possible expenses that you have not considered yet for today's business?

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



BIZ TERMS DEFINITIONS

- *Balance:* The amount of money that you actually have available in your account.
- *Cash flow:* Movement of money from your account, which is positive if income is greater than expenses, and negative if income is less than expenses.
- *Credit:* A positive transaction in your account, one that adds money.
- *Debit:* A negative transaction in your account, one that removes money.
- *Expenses:* Amounts of money spent to buy goods and services for yourself or your business.
- *Income:* Money earned through employment and investments.
- *Minimum wage:* The lowest amount of pay per hour that an employee can legally earn.
- *Profit:* Money that is left after expenses have been paid for from a business or an investment.
- *Revenue:* Money or income that is earned, usually in a business.
- *Taxes:* Money collected by the government to help pay for society's expenses.



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