

LESSON 1: BUDGETING

GUIDING QUESTIONS

- What is a budget?
- Why is it important to budget?

OVERVIEW

Budgets are important planning documents that are used by individuals, businesses, organizations and governments to ensure financial management, and that help outline priorities and achieve long-term goals.

In this lesson, students learn the basics of budgeting and participate in a collaborative planning exercise, in which they plan a mock school fair to raise money.

LEARNING OUTCOMES

By the end of the lesson, students can:

- explain the concept of budgets and related terminology;
- work collaboratively with their peers to create a budget plan;
- analyze the process of budgeting and working with others to make decisions;
- evaluate the importance of budgeting.

STARTER

1. Ask students what they know about budgets. Students can write down their thoughts in the K column of the KWL chart on Activity 1.1 (What do I KNOW about budgets?).

2. Now ask students to write down their next set of thoughts in the W column on Activity 1.1 (What do I WONDER about the budgeting process?).

3. Ask students to share their knowledge and ideas through a collaborate brainstorming session. Students can write their ideas on post-it notes, and place it on the board so the rest of the class can see what others think. Have students review the responses through a gallery walk or review them as a class and organize shared ideas.

Alternatively, students could take a few minutes to discuss their thoughts with a classmate.

ACTIVITY

Teacher Note: The main activity is intended to be a brief collaborative planning exercise. If you would rather focus on personal budgeting, please see the EXTENSION ACTIVITY.

1. Review the following key terms with students.

- Revenue: money earned or received.
- Expenses: money spent on goods and services.
- Surplus: when you have more revenue than expenses, and it results in a profit.
- Deficit: when you have more expenses than revenue, and it results in debt.

2. Present the following scenario to students.

The school is planning a spring fair to raise money for graduation. The goal is to raise at least \$5,000. As part of the organizing committee, you will need to decide what activities to offer and how much to charge for admission, or for different types of activities. You will also need to plan your expenses for rentals, food and/or special entertainment. To help with planning, you will have a starting budget of \$3,000.

3. In groups, have students work together to come up with a plan for the spring fair using Activity 1.2 and Handout 1.3. Provide students with some guiding questions to support their thinking:

- Do you want to attract many people to the event or cater to a specific crowd or demographic?
- Who is the target audience of the spring fair? (i.e., students, community members, families with young children)?
- In what ways can you charge guests (e.g., tickets, food, games)? How much will you charge?
- How will you ensure that you have a profit/surplus of \$5,000 after paying your expenses?
- What would make it a successful event to you, beyond it reaching the fundraising goal?
- How can you make it enjoyable for different groups of people?
- How can you reduce expenses by being creative? Can you recruit volunteers or local businesses to contribute to different parts of the event? If so, in what ways?

4. Give each group time to present its plan to the rest of the class. Invite students to share any feedback or suggestions after each presentation.

5. Debrief on the activity through a class discussion.

- Was it an easy or challenging exercise? How so?
- Did people have different ideas? What shaped their priorities or perspectives?
- How were decisions made? Was everyone happy with the final decisions?
- Can all students prepare an overall event plan, incorporating the best of all the ideas shared by the class?

CONSOLIDATION

1. Explain to students that budgeting is an integral part of the financial management process for individuals, businesses, organizations and governments. Budgets can help keep expenses on track and support effective decision-making for spending and investments, as well as saving or borrowing money.

2. Ask students to fill out the third column of the KWL chart on Activity 1.1 (What did I LEARN about the budgeting process?).

EXTENSION ACTIVITY

1. Divide students into groups and provide each group member with a copy of the 'Personal Budget Plan' (Activity Sheet 1.4) and the same financial scenario from Handout 1.5.

2. Prior to the activity, take students through an example of how to use the 'Personal Budget Plan' (Activity Sheet 1.4) using an overhead projector or Smartboard.

Teacher Note: It might be helpful to review some average cost estimates for your local area (e.g., rent, transit, food) or use national estimates (Handout 1.5) to provide students with a more realistic sense of potential expenses.

3. Using the 'Financial Profile' assigned, students should individually plan their monthly expenses according to the money they have to work with for their scenario. While some expenses are fixed, others will be left for students to decide upon.

4. Afterwards, have students share their spending choices within their groups. Then have each group try to come up with a budget plan they can all agree on.

5. Debrief on the activity as a class. Guiding questions:

- Was it challenging to budget your money? Why or why not?
- Did you end up having enough money each month? Were you able to save money or would you have to borrow money to meet your wants/needs?
- Was it easy to agree on a group budget? Why or why not?
- Why is it important to budget? What are the possible consequences if you do not budget your money?