



NZQA Assessment Support Material

Unit standard		28094			
Title	Produce a balanced household budget and adjust the budget to reflect changing financial circumstances				
Level	2	Credits	3	Version	3

Note

The following guidelines are supplied to enable assessors to carry out valid and consistent assessment using this internal assessment resource.

Assessors must manage authenticity for any assessment from a public source, because students may have access to the assessment schedule or student exemplar material. Use of this assessment resource without modification may mean that students' work is not authentic. The assessor will need to change figures, measurements or data sources or set a different context or topic.

While this resource exemplifies written assessment, there are other assessment activities and approaches that could be taken.

See Generic Resources and Guidelines at <https://www.nzqa.govt.nz/providers-partners/assessment-and-moderation-of-standards/assessment-of-standards/generic-resources/>.

Assessor guidelines

Assessors need to be very familiar with the outcome being assessed by the unit standard. The evidence requirements and the explanatory notes contain information, definitions, and requirements that are crucial when interpreting the standard and assessing learners against it.

Over the weeks prior to this assessment, learners should have had sufficient teaching and learning opportunities to be familiar with the following:

- Creating balanced budgets, including:
 - relevance to several people of the same family and/or living in the same household
 - the need to balance different goals and priorities
 - sources of income and/or receipts
 - multiple commitments including shelter, food, utilities, clothing
 - the need to reflect changing circumstances and/or priorities
 - creation of an emergency fund for unexpected expenses
 - provision for 'uneven' income or expenditure circumstances.
- Reviewing of budgets.
- Adapting budgets to incorporate changing circumstances, goals and/or priorities.

AWARD OF GRADES



- For award with **Achieved**, learners must: produce a balanced household budget to show current financial circumstances; review and adjust the budget to reflect at least two changes to financial circumstances; explain how the adjustments meet the needs of the household's changing financial circumstances.
- For award with **Merit**, learners must: produce a balanced household budget to show current financial circumstances; review and adjust the budget to reflect at least two changes to financial circumstances; include an explanation of the adjusted budget that makes links between adjustments and the household's changing financial circumstances.
- For award with **Excellence**, learners must: produce a balanced household budget to show current financial circumstances; review and adjust the budget to reflect at least two changes to financial circumstances; include a justification of how the adjustments accommodate the household's changing financial circumstances.

CONDITIONS OF ASSESSMENT



This assessment is an **open book** activity that will take place over a timeframe set by the assessor. Learners can use any information to help them complete the tasks. Answers must be in their own words.

Assessment activity

This assessment activity has eight (8) tasks and is scenario based. However, learners could be encouraged to use their own, family, or friend's circumstances where practicable.

Learners are given a scenario for which they are required to create a balanced budget for the current situation, and adjust the budget to accommodate the changing financial circumstances. The tasks guide them to explain their adjusted budget and plan for how the budget should be monitored over time.

Note: Where a scenario is used it should provide opportunity for learners to make decisions to produce a balanced budget (ie not just rely on calculations, but require them to address a surplus or deficit amount). Also, the changing financial circumstances should be ones that happen in everyday life – not winning lotto, or being gifted money.

Resources

Resources that may help with this are:

- NZ Federation of Family Budgeting Services www.familybudgeting.org.nz;
- Commission for Financial Capability, <http://www.cffc.org.nz/>;
- The New Zealand Network for Financial Literacy <http://www.financialliteracy.org.nz/>;
- Inland Revenue Te tare Taake <http://www.ird.govt.nz/>;
- Ministry of Business Innovation & Employment – <http://www.mbie.govt.nz/>;
- Sorted Your independent money guide <https://www.sorted.org.nz/> (financial calculators);
- Budgeting: A Great Way to Meet Your Financial Goals http://www.financialliteracy.org.nz/webfm_send/206 ;
- Work and Income Te Hinanga Tangata <http://www.workandincome.govt.nz/>;
- StudyLink Hoto Akoranga <http://www.studylink.govt/>;
- Whanau Matters <http://www.whanaumatters.org.nz/>;
- Bamzonia Personal Financial Education, <http://www.bamzonia.co.nz>.

Assessment Schedule

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Task	Evidence/Judgements for achievement	Evidence/Judgements for achievement with merit	Evidence/Judgements for achievement with excellence
ER 1.1 Task 1 and 2	<ul style="list-style-type: none"> Learner produces a balanced household budget that reflects the current financial circumstances. Calculations are accurate and explanation shows how the budget is balanced. <p>See sample answers.</p>	<ul style="list-style-type: none"> Learner produces a balanced household budget that reflects the current financial circumstances. Calculations are accurate and explanation shows how the budget is balanced. <p>See sample answers.</p>	<ul style="list-style-type: none"> Learner produces a balanced household budget that reflects the current financial circumstances. Calculations are accurate and explanation shows how the budget is balanced. <p>See sample answers.</p>
ER 1.2 Tasks 3, 4, 5, 6 and 7	<ul style="list-style-type: none"> Learner produces a reviewed budget that reflects at least two of the expected changes in financial circumstances and shows how this will impact on the current budget. Reviewed budget includes an emergency fund for unexpected expenses. Learner compares budgets, suggests suitable options to balance the budget and produces an adjusted budget. Learner provides realistic time frame and reasons for future budget review. 	<ul style="list-style-type: none"> Learner produces a reviewed budget that reflects at least two of the expected changes in financial circumstances and shows how this will impact on the current budget. Reviewed budget includes an emergency fund for unexpected expenses. Learner compares budgets, suggests suitable options to balance the budget and produces an adjusted budget. Learner provides realistic time frame and reasons for future budget review. 	<ul style="list-style-type: none"> Learner produces a reviewed budget that reflects at least two of the expected changes in financial circumstances and shows how this will impact on the current budget. Reviewed budget includes an emergency fund for unexpected expenses. Learner compares budgets, suggests suitable options to balance the budget and produces an adjusted budget. Learner provides realistic time frame and reasons for future budget review.

	See sample answers.	See sample answers.	See sample answers.
ER 1.3 Task 8	<ul style="list-style-type: none"> Learner explains how the adjustments meet the needs of the household's changing financial circumstances. <p>See sample answers for task 8.</p>	<ul style="list-style-type: none"> Learner explains the adjusted budget in terms of the links to the changing financial circumstances. <p>See sample answers for task 8.</p>	<ul style="list-style-type: none"> Learner justifies the adjusted budget in terms of how it accommodates the changing financial circumstances. <p>See sample answers for task 8.</p>

Final grades will be decided using professional judgement based on a holistic examination of the evidence provided against the criteria in the unit standard.



Scenario

Current situation

Mia and Jack have three (3) children. Lusi is the oldest child and is 17, Ruby is 15 and George is 5 year old.

Mia and Jack bought their current four (4) bedroomed house eighteen (18) years ago before the children were born.

Jack earns \$48,000 net a year and Mia earns \$42,000 net a year. Both work full time. Mia is finding it difficult to find good after school childcare for George and would like to go part-time.

Lusi has left school and pays her parents board from her job working in a car sales yard office. She wants to go to University next year in another city and is saving hard towards her tertiary costs.

Ruby is keen on sport and often attends sports events. She pays for her own sports fees with the income from her weekend job.

Mia and Jack do not like going into debt except for their mortgage. Because they have always managed to cover costs with their income, Mia and Jack have never drawn up a formal budget.

In order to consider the effect of reducing her working hours, Mia and Jack have now drawn up a list of their current receipts and payments.



Tasks

1. Using the list of their income and expenditure, produce a balanced weekly budget for Mia and Jack to reflect their current financial situation.

Current financial information of their receipts and payments

Income

Mia's after tax	\$42,000
Jack's after tax	\$48,000
Lusi's board	\$80 weekly

Current average outgoings

Mortgage	\$500 weekly
Groceries	\$300 weekly
Power/gas	\$200 monthly
Phone/internet	\$90 monthly
Mobile phones	\$100 monthly
Insurances	\$2000 annually
Motor vehicle expenses	\$200 weekly
Entertainment	\$500 monthly
Clothing	\$500 monthly
Rates	\$660 quarterly
Water rates	\$150 quarterly
Superannuation and KiwiSaver	\$250 monthly
Medical costs	\$1,800 annually
Repairs and maintenance	\$203.41 monthly
Birthdays/koha/other	\$50 weekly
Childcare	\$100 weekly
Savings	?????????

For calculation purposes there are fifty two (52) weeks in a year. Round up all amounts to the nearest cent.

Current weekly budget				
	Frequency	Amount	Workings	Weekly amount
Net income				
Mia	Annual	42,000	$42,000/52$	807.69
Jack	Annual	48,000	$48,000/52$	923.08
Lusi's board	Weekly	80		80
				1810.77
Outgoings				
Mortgage	Weekly	500		500
Groceries	Weekly	300		300
Power/gas	Monthly	200	$(200*12)/52$	46.15
Phone/internet	Monthly	90	$(90*12)/52$	20.77
Mobile phones	Monthly	100	$(100*12)/52$	23.07
Insurances	Annual	2000	$2000/52$	38.46
Motor vehicle expenses	Weekly	200		200
Entertainment	Monthly	500	$(500*12)/52$	115.38
Clothing	Monthly	500	$(500*12)/52$	115.38
Rates	Quarterly	660	$(660*4)/52$	50.77
Water rates	Quarterly	150	$(150*4)/52$	11.54
Superannuation and KiwiSaver	Monthly	250	$(250*12)/52$	57.69
Medical costs	Annual	1800	$1800/52$	34.62
Repairs and maintenance	Monthly	203.41	$(203.41*12)/52$	46.94
Birthdays/koha/other	Weekly	50		50
After school childcare	Weekly	100		100
Savings	Weekly	100		100
				1810.77
Amount of surplus (+) or deficit (-)				0.00

(Sample budget related to awarding Achievement, Merit, or Excellence)

2. Explain how any surplus or deficit has been dealt with to produce a balanced budget.

Mia and Jack had no set allowance for savings, but had a surplus which I allocated to saving.

3. Produce a reviewed budget which reflects the expected changes below.

Expected changes

- Next year when Lusi goes to University, Mia and Jack will not receive her \$80 a week board.
- If Mia reduces her working hours so that she can pick up George after school, she will earn \$34,000 net.
- Mia does not want to reduce her KiwiSaver contribution as a result of her reduced income.

Reviewed weekly budget

	Frequency	Amount	Workings	Weekly amount
Net income				
Mia	Annual	34,000	34,000/52	653.85
Jack	Annual	48,000	48,000/52	923.08
				1576.93
Outgoings				
Mortgage	Weekly	500		500
Groceries	Weekly	300		300
Power/gas	Monthly	200	(200*12)/52	46.15
Phone/internet	Monthly	90	(90*12)/52	20.77
Mobile phones	Monthly	100	(100*12)/52	23.07
Insurances	Annual	2000	2000/52	38.46
Motor vehicle expenses	Weekly	200		200
Entertainment	Monthly	500	(500*12)/52	115.38
Clothing	Monthly	500	(500*12)/52	115.38
Rates	Quarterly	660	(660*4)/52	50.77
Water rates	Quarterly	150	(150*4)/52	11.54
Superannuation and KiwiSaver	Monthly	250	(250*12)/52	57.69
Medical costs	Annual	1800	1800/52	34.62

Repairs and maintenance	Monthly	203.41	(203.41*12)/52	46.94
Birthdays/koha/other	Weekly	50		50
After school childcare	Weekly			0
Saving	Weekly	0		0
				1610.77
Amount of surplus (+) or deficit (-)				(33.84)

4. Compare the current balanced budget based on their actual receipt and payments with the budget following the review.

Mia and Jack will receive less income when Lusi leaves home (\$80 a week).
 If Mia goes part time, her income will be reduced by \$153.84 a week.
 However, there will be no after school childcare so that \$100 a week expense is eliminated.
 The combined impact of these changes will be a deficit of \$33.84 as well as not allowing them to save.

5. Suggest what they could do to balance the budget.

Mia and Jack could increase income or further reduce expenses.

1. Increasing income:
 Mia and Jack consider taking a home stay international student. They will have a spare bedroom, now that Lusi will be away for much of the year.

Lusi's old room will already set up for study for an international student. They expect there will be no extra costs because there will be the same number of people in the house.

They enquire about home stay students and learn that they could charge \$240 a week.

2. Reduce expenses further.
 Select which expenses could be reduced and by how much. No fixed expenses or essential items can be changed.

6. Adjust the budget to show Mia and Jack's changing financial needs of the household. Make sure the budget balances and is realistic.

At least two changes need to be made to the budget.

Suggested adjusted weekly budget				
	Frequency	Amount	Workings	Weekly amount
Net income				
Mia	Annual	34,000	34,000/52	653.85
Jack	Annual	48,000	48,000/52	923.08
Home stay student	Weekly	240		240
				1816.93
Outgoings				
Mortgage	Weekly	500		500
Groceries	Weekly	300		300
Power/gas	Monthly	200	(200*12)/52	46.15
Phone/internet	Monthly	90	(90*12)/52	20.77
Mobile phones	Monthly	100	(100*12)/52	23.07
Insurances	Annual	2000	2000/52	38.46
Motor vehicle expenses	Weekly	200		200
Entertainment	Monthly	500	(500*12)/52	115.38
Clothing	Monthly	500	(500*12)/52	115.38
Rates	Quarterly	660	(660*4)/52	50.77
Water rates	Quarterly	150	(150*4)/52	11.54
Superannuation and KiwiSaver	Monthly	250	(250*12)/52	57.69
Medical costs	Annual	1800	1800/52	34.62
Repairs and maintenance	Monthly	203.41	(203.41*12)/52	46.94
Birthdays/koha/other	Weekly	50		50
After school childcare		0		0
Saving	Weekly	200		200
Emergency fund	Weekly	6		6
				1816.77
Amount of surplus (+) or deficit (-)				+0.16

7. How often should the budget be reviewed and why?

Review frequency/process:

Mia and Jack should review their budget monthly comparing the budget with actual receipts and payments to make sure their spending is within the budget. They especially need to check expenses that are variable (eg food, power/gas, medical expenses and phone and internet bills). They also need to check whether or not the exchange student is incurring any extra unanticipated costs.

(Sample answer related to awarding Achievement)

8. Explain how the adjustments to the budget meet the needs of Mia and Jack's changing financial circumstances.

Extra income has been added. The exchange student contributes \$240 a week to their income. They are able to save \$200 a week without cutting any expenses and there is provision for an emergency fund. The budget is not only balanced, it is in surplus. Mia is able to meet implement her priority of looking after George herself instead of putting him into after school care.

(Sample answer related to awarding Achievement)

Remember to explain:

- The changes that have been made and what this achieves
- How the changes link to the changing situation
- Give reasons why the adjustments provide for the changing financial situation

Mia and Jack can achieve their goals of reduced hours and a balanced budget by taking on a home stay student when Lusi leaves.


When Mia works reduced hours, there is a reduction in net income of \$8000 a year. When Lusi leaves, there is a further fall in net income of \$80 a week. The \$240 a week net income from a home stay student will make up for these reductions.

Childcare costs are no longer needed as Mia is looking after George after school and they are able to increase their savings to \$200 a week.

The second revised budget allows them to meet their changing financial circumstances by increasing their overall income as well as meeting their goal for Mia to be able to take care of George after school. There is also provision for an emergency fund to assist with any unexpected changes in financial circumstances.

(Sample answer related to awarding Merit)

The household can continue its current standard of living and even have increased savings.



A home stay student's costs (food, power/gas) would be the same as having Lusi at home. As the room would be already set up for study, there would be no extra furniture costs.

Mia's life style will improve with less worry about the financial burden of George's after school care arrangements, as she can do that herself. Very importantly, the budget balances and their savings levels are increased to \$200 a week. The addition of an emergency fund means that there is back up for any future unexpected changes in financial circumstances (such as periods of time between home stay students).

(Sample answer related to awarding Excellence)