

NZQA Assessment Support Material

Unit standard	28104				
Title	Analyse the impact(s) of external factors on personal finances				
Level	3	Credits	3	Version	2

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 may 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:

- Possible savings and investment options
- Impacts of local, national and global events which have consequential impacts on personal finances and financial decision making.

AWARD OF GRADES



- For award with **Achieved**, learners must analyse the impact(s) of external factors (one global, one national and one local) on personal finances and financial decision making.
- For award with **Merit**, learners must for one of the external factors provide an explanation of impacts in the short and long term on personal finances and financial decision making.
- For award with **Excellence**, learners must for the same external factor used at Merit provide an explanation of how financial decisions can be used to manage those impacts on personal finances.

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 one task.

The task requires the learner to:

- Analyse the impact(s) of external factors on personal finances and financial decision making, one each at local, national and global levels.
- For one of the external factors explain the short and long term impacts on personal finances and financial decision making.
- For the same external factor explain how financial decisions can be used to manage those impacts on personal finances.

Resources

Resources that may help with this are:

- Bank websites;
- Economic updates on websites;
- Newspaper websites;
- Banks' quarterly reviews;
- Statistics New Zealand, <http://www.stats.govt.nz/>;
- Interest website, <http://www.interest.co.nz/>;
- Commission for Financial Capability, <http://www.cffc.org.nz/>;
- The New Zealand Network for Financial Literacy, <http://www.financialliteracy.org.nz/>;
- Sorted Your independent money guide, <https://www.sorted.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 Questions 1,2,3	<ul style="list-style-type: none"> Completed tables for three different external factors (one global, one national and one local) For each factor, student explains the impact(s) on personal finances and financial decision making. Sample answer for an explanation of the impacts of a global factor (Exchange rate). <p>Impacts on personal finances –</p> <p><i>Changes in exchange rates can have an impact on people’s income, spending, saving and investments.</i></p> <p><i>Changes in economic growth through inflation (increase in prices) as a result of exchange rate changes can mean changes in employment opportunities and income level.</i></p> <p><i>Prices of goods and services could become cheaper or more expensive. Due</i></p>	<ul style="list-style-type: none"> Completed tables for three different external factors (one global, one national and one local) For each factor, student explains the impact(s) on personal finances and financial decision making. Sample answer for an explanation of the impacts of a global factor (Exchange rate). <p>Impacts on personal finances –</p> <p><i>Changes in exchange rates can have an impact on people’s income, spending, saving and investments.</i></p> <p><i>Changes in economic growth through inflation (increase in prices) as a result of exchange rate changes can mean changes in employment opportunities and income level.</i></p> <p><i>Prices of goods and services could become cheaper or more expensive. Due</i></p>	<ul style="list-style-type: none"> Completed tables for three different external factors (one global, one national and one local) For each factor, student explains the impact(s) on personal finances and financial decision making. Sample answer for an explanation of the impacts of a global factor (Exchange rate). <p>Impacts on personal finances –</p> <p><i>Changes in exchange rates can have an impact on people’s income, spending, saving and investments.</i></p> <p><i>Changes in economic growth through inflation (increase in prices) as a result of exchange rate changes can mean changes in employment opportunities and income level.</i></p> <p><i>Prices of goods and services could become cheaper or more expensive. Due</i></p>

to a change in the exchange rate, a person's purchasing power could increase or decrease when spending domestically and overseas. This means that your income will now buy more or less goods and services than it did before. If your purchasing power increases you may also save or invest more.

If income is earned from overseas (direct or through investments), once converted to NZ dollars the amount can frequently change. This depends on how competitive the NZ dollar is against other currencies.

The value of overseas investments can be affected due to changes in exchange rates. Once converted, it is possible for overseas shares to decrease or increase in value compared to what you actually paid for them.

Impacts on financial decision making -

Changes in prices of goods and services can mean more or less pressure in personal budgets. Lower prices means that you can buy or save more with your budget and possibly afford luxury goods. On the other hand if prices rise, it could mean that there isn't as much of a surplus that you had before. Furthermore you will buy and save less. You may possibly have to buy inferior goods (goods that have less quality).

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	<p><i>Spending overseas (travelling) or online can become attractive - to make the most of getting value for money. This would mean less financial pressure.</i></p> <p><i>The state of the economy could worsen due to a change of the exchange rate, this would mean that people will feel more financially pressured.</i></p> <p><i>The value of income and investments in overseas currencies can change due to exchange rates, therefore this needs to be taken into account when budgeting/planning.</i></p> <p>Note: Sample answers have been provided for one factor at global level. Answers for factors at local and national levels will need to be developed.</p>	<p><i>Spending overseas (travelling) or online can become attractive - to make the most of getting value for money. This would mean less financial pressure.</i></p> <p><i>The state of the economy could worsen due to a change of the exchange rate, this would mean that people will feel more financially pressured.</i></p> <p><i>The value of income and investments in overseas currencies can change due to exchange rates, therefore this needs to be taken into account when budgeting/planning.</i></p> <p>Note: Sample answers have been provided for one factor at global level. Answers for factors at local and national levels will need to be developed.</p>	<p><i>Spending overseas (travelling) or online can become attractive - to make the most of getting value for money. This would mean less financial pressure.</i></p> <p><i>The state of the economy could worsen due to a change of the exchange rate, this would mean that people will feel more financially pressured.</i></p> <p><i>The value of income and investments in overseas currencies can change due to exchange rates, therefore this needs to be taken into account when budgeting/planning.</i></p> <p>Note: Sample answers have been provided for one factor at global level. Answers for factors at local and national levels will need to be developed.</p>
<p>ER 1.1 Question 4</p>		<ul style="list-style-type: none"> Analysis for one of the external factors used in previous questions explains two impacts in the short and two impacts in the long term on personal finances and financial decision making. <p>Sample answer for Exchange rate:</p> <p><i>In the short term, exchange rate changes can quickly have an impact on the price of many consumable goods (goods that we frequently need). For example, the price of</i></p>	<ul style="list-style-type: none"> Analysis for one of the external factors used in previous questions explains two impacts in the short and two impacts in the long term on personal finances and financial decision making. <p>Sample answer for Exchange rate:</p> <p><i>In the short term, exchange rate changes can quickly have an impact on the price of many consumable goods (goods that we frequently need). For example, the price of</i></p>

petrol can go up or down depending on the USD rate (as petrol is exchanged in USD).

Transport is usually a major item in the family budget, so changes in prices of petrol would have a noticeable impact in the short term.

Imported goods that are paid for in overseas currency will be comparatively cheaper so people can buy i-tunes more cheaply or spend the same amount and buy more i-tunes.

People either cut back on spending on an item where the price is rising (as a result of exchange rate changes) or they cut back on other things. If wages are going up as fast as the price rise in the consumable good, then the proportion (of income) they spend will often be the same, although the actual amount may be more.

A long term impact is that people expect wages to rise to compensate for higher prices of essentials but this doesn't always happen.

Investors need to keep a close eye on all the external factors involved such as the exchange rate) that affect their investment. If dividend income falls as a result of changes in the exchange rate, there may be a shift in investment from one country to another. They will need to weigh up the exchange rate for both the value of the

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Serious investors need to keep a close eye on all the external factors involved (such as the exchange rate) that affect their investment. If dividend income falls as a result of changes in the exchange rate, there may be a shift in investment from one country to another. They will need to weigh up the exchange rate for both the value of the investment and the returns on the

		<p><i>investment and the returns on the investment along with a range of factors, such as inflation. An investor may wish to make investment decisions based on expectation of exchange rate movements in the long term.</i></p> <p><i>Movement of exchange rates needs to be carefully watched for future benefits or disadvantages on personal finances.</i></p>	<p><i>investment along with a range of factors, such as inflation. An investor may wish to make investment decisions based on expectation of exchange rate movements in the long term.</i></p> <p><i>Movement of exchange rates needs to be carefully watched for future benefits or disadvantages on personal finances.</i></p>
<p>ER 1.1 Question 5</p>			<ul style="list-style-type: none"> • Explanation for the same external factor used in question 4 includes how financial decisions can be used to manage those impacts on personal finances. <p>Sample answer for Exchange rate:</p> <p>People may have to change their spending patterns, whether it is for durable goods (lasting goods) or consumable (frequently used, short lasting goods).</p> <p>If people are relying on income from another country, they may need to consider the timing of transferring money.</p> <p>If people are planning to travel or study overseas it could become more expensive if overseas currencies are stronger. This may rule out this option for many people or change their plans. However it could become more affordable if the NZD is stronger.</p>

Having an economical vehicle or mode of transport can help mitigate against rising petrol prices.

When the dollar is strong this typically means imports get cheaper, inflation is reduced, and the cost of living is lower - so people can make the most of buying expensive or luxury items.

It can also mean slower economic growth because exports are less and some companies source jobs overseas. This could mean people need to limit their borrowing and spending.

Seeking reliable financial advice on personal investment can help to manage impacts of exchange rate changes.

People who are close to retirement can be watching the value of their superannuation funds, whether it is KiwiSaver or some other managed fund, or overseas investments. The price of a unit in a KiwiSaver fund will change on a regular basis and the trend is important to watch in case the total value of the units begins to decline.

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



Factors

Some examples of external factors that can impact on personal finances are given below.

Learners choose **one different factor from each category**.

Category 1: Global

- International events (such as war or economic crises)
- Exchange rates
- Interest rates
- Inflation
- Economic growth
- Climate change or other environmental issues
- Political change, such as a change of government in world-leading countries
- Natural disasters
- Man-made disasters

Category 2: National

- Interest rates
- Inflation
- Political change, such as a change of government
- Legislation, such as a change in GST or tax rates
- Societal or demographic trends, such as the “baby boomers” reaching retirement
- Natural disaster
- Man-made disaster
- Technological developments, such as internet banking
- Transport development, such as cheaper or faster transport systems

Category 3: Local

- Legislation
- Natural disaster
- Man-made disaster
- Transport development, such as cheaper or faster transport systems