



## BUDGETING FOR BUSINESS

### Key Concepts

Budget, business plan and goals, credit, interest

### Summary

This lesson follows the introduction to credit lesson with an application to raising money to run a business and developing a business plan or budget for planned expenses.

### Overview & Lesson Objectives

This lesson is intended for students in fourth and fifth grades. The lesson will explore the concept of credit and creating a plan using the bank to help achieve a goal. The activities guide will assist students in becoming aware of how credit is obtained and how a structured budget/business plan will help enable them to achieve their financial goal.

Students will be able to:

- Define credit
- Describe how to get credit
- Recognize and explain why banks/institutions offer credit to their customers
- Establish a goal for earning money
- Create a budget/business plan to achieve the goal

### Time Allocation

15 - 20 Minute Prep

35 - 40 Minutes Engagement

### Material

- Calculators
- Copies of Business Plan Worksheet (One per student)



## Lesson Begins: Setting the Stage

**Background Builder #1:** Ask 5-10 students to name places they would like to visit. These may be written on the board. Next ask the students how they could make these wishes become realities. Record all possible ideas in a list on the board.

**State the Objective:** tell the students what they will be able to do upon conclusion of the lesson.

*“Today we are going to learn about using credit to build a budget that will enable you to meet a goal. Your goal will be to take a trip! This skill will help you in the future when you decide to do something that you do not have enough cash to buy or afford all at once. You will also be able to define how credit can help you start a business using a budget in order to achieve your ultimate goal.”*

## Lesson Continues

Review with students the types of credit people are able to obtain from Lesson 3, An Introduction to credit.

- Credit is when a bank agrees to buy a product for you and trusts that you will pay the money back over time. Credit can be in the form of a credit card or loan. A loan lets you buy something expensive that you want such as a boat, a car, an education, or even a home.
- In order to get credit you have to apply or ask for it. The bank will give you credit if you are approved. But first they have to run a credit report to find out how you’ve handled money in the past. There are other factors that go into getting approved for a loan.
- You should also know that the bank will put a limit on how much you can spend/borrow to protect you from taking more than you’re able to pay back. If the bank decides to offer you credit, you may have to pay a fee every year to use this service.
- The bank lends you money because it gives them an opportunity to earn money. If you decide to take a long time paying back the money you borrow, you have to pay back extra which is called interest.

Now that you have reviewed the concept of credit, it’s time to begin talking about how credit can get them started on their way to earning. Propose to the students that there is a field trip to Great Adventure. It’s going to be a lot of fun, but it’s also a very expensive trip, so students may have to create a plan that will enable him/her to help with the expenses to participate in the trip.

*“Let’s come up with a plan to help you afford the trip to Six Flags Great Adventure. You will need to ask your parents or someone to help you if you do not have the money for startup expenses.”* Tell the students that they can start a lemonade business. This business will require some startup expenses to cover the cost of purchasing cups, lemonade drink mix, markers, tape and poster board for signs. Here are some things that will need to be considered:

- How much will it cost to purchase the supplies listed above?
- How many cups will you have to sell?
- After you borrow the money, as long as you give it back that first day that’s all you owe.



- If you keep the money longer, you have to pay your parents additional money for each day that it's kept past the due date.
- You want to make money.
- How much should you charge per cup?
- Your parents want you to repay them within a reasonable amount of time so that someone else can borrow the money if needed.

Ask students to respond to the following question, **“How can you determine your cost per cup?”** Encourage them to use the Business Plan Worksheet to help them. Allow 7-10 minutes for them to generate a response. Then ask students to share their responses; guide students to uncover the idea that sometimes you must spend money first before you can earn it.

Review the answers on the Business Plan Worksheet to ensure all students understand the concepts of startup costs and profit.

## Lesson Close

Review with students why people obtain credit and how they use it. You may also select any number of activities from the section entitled “Additional Engagement Opportunities / Resources” in order to encourage students to work with, relate to, and retain the presented information.



## Additional Engagement Opportunities / Resources

### Pair and Share

Students (pairs) interview one another about the lesson content. They must summarize the partner's feedback in either written report or verbal format

#### Sample Questions:

- What item would you be willing to save money for in order to make the purchase?
- Where do you expect to get the money you'll save?
- How much spending money will be available?
- Are there items you'll need to forego in order to save enough money?
- How long will it take you to save enough money for the item you wish?
- *Student generated questions should also be encouraged in place of or in addition to the ones listed above.*

### Quiz the Teacher

Students have the opportunity to flip roles and ask the teacher the questions typically asked of them. Questions need to be generated by each student.

### Storyboard/Stretch to Sketch

Students write and illustrate a storyboard which is a piece of paper folded into six or eight squares. Each square is filled with a picture and caption. The story should be an example of how saving could be useful in each student's life.



## Educational Standards

### **National Council of Teachers of Mathematics Principles and Standards for School Mathematics, 2000:**

- Connections – (Students will) Recognize and use connections among mathematical ideas.
- Connections – (Students will) Recognize and apply mathematics in contexts outside of mathematics.

### **NJ Core Curriculum Content Standards in Personal Financial Literacy 2014:**

#### *Standard 9.1: 21<sup>st</sup> Century Life and Careers*

- 9.1 B. Money Management: 9.1.4.B.3
- 9.1 C. Credit and Debt Management: 9.1.4.C.1, 9.1.4.C.4
- 9.1 D. Planning, Saving, and Investing: 9.1.4.D.1

### **National Standards in K – 12 Personal Finance Education (from Jump\$tart Coalition) 2017:**

#### *Financial Decision Making:*

- Standard 1, “Recognize the responsibilities associated with personal financial decisions.”
- Standard 4, “Make criterion-based financial decisions by systematically considering alternatives and consequences.”
- Spending and Saving :
- Standard 1, “Develop a plan for spending and saving.”
- Credit and Debt:
- Standard 2, “Summarize a borrower’s rights and responsibilities related to credit reports.”



## Business Plan Worksheet for Lemonade Stand

**Cost of trip:** \$50.00

**Date to begin:** \_\_\_\_\_ **Deadline:** \_\_\_\_\_

**Goal:** to make enough money selling 100 cups of lemonade to pay for a trip to Great Adventure. We will assume that your parents will lend you the money to start your business and accept repayment after you reach your expense cost.

### Supplies

Country Time Lemonade Drink Mix (19 ounces)	\$3.50 each
The drink mix will make approximately 50 four ounce glasses of lemonade, therefore you will need two containers of lemonade drink mix.	

Paper cups (4 ounces), package of 100	\$2.50
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Poster Board for advertising, 2 pieces	\$1.00
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*\*Markers and tape can be found at home.*

**Cost of supplies to make 100 cups of lemonade =** \_\_\_\_\_

**How much does it cost to make each cup?** \_\_\_\_\_  
 (cost of supplies / 100)

**How much should I charge?**

100 cups at \$.25 each =	_____	-	_____	=	_____
	money earned		cost of supplies		profit

Is it enough? \_\_\_\_\_

100 cups at \$.35 each =	_____	-	_____	=	_____
	money earned		cost of supplies		profit

Is it enough? \_\_\_\_\_

100 cups at \$.50 each =	_____	-	_____	=	_____
	money earned		cost of supplies		profit

Is it enough? \_\_\_\_\_



So, now you know you must sell 100 cups of lemonade for \_\_\_\_\_ each.

Will you have any money left over for spending at Great Adventure?

**Profit** \_\_\_\_\_

**Subtract cost of trip** \_\_\_\_\_

**Equals spending money** \_\_\_\_\_

Congratulations! Your lemonade business will be a success if you sell 100 cups at \$.50 each. But, how many lemonade sales will you need to have? The answer to that question will depend on the day of the week, amount of time, weather conditions, and traffic. A good salesperson realizes that it takes time and hard work to reach a sales goal. Don't be discouraged. Plan your sale early so that you will be able to have others if necessary.