

# CONTENTS



**Introduction..... v**

## **STRAND 1: PERSONAL FINANCE**

**Managing My Resources ..... 3**

1. Resources, Needs and Wants .....3
2. Household Income and Expenditure .....7
3. Your Personal Financial Lifecycle .....15
4. Personal Taxation .....21
5. Saving and Borrowing .....28
6. Insurance .....38

**Exploring Business ..... 44**

7. Rights and Responsibilities of Consumers .....44
8. Agencies That Help Consumers .....50
9. Ethics and Sustainability .....55
10. Globalisation and Changing Technology .....60

**Using Skills For Business..... 65**

11. Employment and Wages.....65
12. Household Budgets .....75
13. Recording Income and Expenditure .....85

## **STRAND 2: ENTERPRISE**

**Managing My Resources ..... 97**

14. Different Types of Enterprise.....97
15. The Entrepreneur .....104
16. Work, Employment and Volunteerism .....108

**Exploring Business ..... 114**

17. Employer and Employee Rights and Responsibilities.....114
18. How Organisations Impact the Community .....123
19. Digital Technology and Organisations .....126

<b>Using Skills for Business .....</b>	<b>134</b>
20. Marketing and Conducting Market Research.....	134
21. The Marketing Mix.....	139
22. Developing a Business Plan.....	147
23. Business Documents.....	153
24. Cash Flow and Business Finance.....	164
25. Analysed Cash Book, Ledgers and Trial Balance .....	173
26. Preparing and Analysing Final Accounts .....	184

### **STRAND 3: ECONOMICS**

<b>Managing My Resources .....</b>	<b>203</b>
27. Introducing Economics .....	203
28. How the Economy Operates.....	208
29. Interaction of Supply and Demand .....	215
30. Government Revenue and Expenditure.....	224

<b>Exploring Business .....</b>	<b>230</b>
31. The Purpose of Taxation .....	230
32. Economic Growth and Sustainable Development.....	234
33. International Trade and Globalisation .....	238
34. Ireland and the EU .....	246

<b>Using Skills for Business .....</b>	<b>253</b>
35. The Chief Economic Indicators .....	253
36. Government Economic Policies and Problems .....	259
37. Guide to the Exam, the Classroom-Based Assessments and the Assessment Task.....	266



# **STRAND 1**

## **Personal Finance**

## **Managing My Resources**

- 1 Resources, Needs and Wants**
- 2 Household Income and Expenditure**
- 3 Your Personal Financial Lifecycle**
- 4 Personal Taxation**
- 5 Saving and Borrowing**
- 6 Insurance**

## **Exploring Business**

- 7 Rights and Responsibilities of Consumers**
- 8 Agencies That Help Consumers**
- 9 Ethics and Sustainability**
- 10 Globalisation and Changing Technology**

## **Using Skills For Business**

- 11 Employment and Wages**
- 12 Household Budgets**
- 13 Recording Income and Expenditure**

# Managing My Resources



## Resources, Needs and Wants

### → Main Learning Outcome

**1.1** Students should be able to review the personal resources available to them to realise their needs and wants and analyse the extent to which realising their needs and wants may impact on individuals and society.

aims

By the end of this chapter you should:

- be able to list your financial, physical and other resources
- know how to differentiate between needs and wants
- understand how your need for resources can impact on other people.

## Resources

A resource is anything that individuals or households can draw on in order to function effectively and achieve their objectives. There are several different kinds:

### Financial resources

- Income from a full-time or part-time job, pocket money, occasional gifts of money, Jobseeker's Allowance, pension, savings.
- Financial resources allow you to purchase the goods and services you need, gain independence from others and invest in your professional and personal development.

### Physical resources

- House, furniture, car, computer, internet connection, school bag, mobile phone, sports equipment, musical instruments, books, etc.
- Physical resources improve your everyday quality of life whether at work, at school or at home.





## Personal abilities and experience

- Academic qualifications, work experience, foreign languages, involvement in sport or fitness, computer skills, leadership and communication skills, artistic or musical talent, culinary skills, travel experience, organisational skills, time management, problem-solving abilities, readiness to work to deadlines or under pressure, good work–life balance.
- Your personal abilities and experience play a part in making you the person you are, help you to withstand the challenges that life will throw at you, and prepare you for the opportunities that await you.

## The people around you

- Spouse, partner, parent(s), children, friends, mentors, teachers, managers, employees, colleagues, classmates, neighbours, community.
- Even the most driven person cannot do it all by themselves. They need love, security, encouragement, support, advice, and even occasional criticism from those around them.



It is important to remember that even though your resources are scarce, if you work at expanding and improving them, they can become less scarce. So can the resources of a company or a country. This is one way we improve our lives – by expanding our resources.

Regardless of how many resources we have, nearly all of us would be happier with more. We therefore say that our resources are relatively **scarce**, since our demand for them is usually always greater than their supply.

## Needs and wants

Demand for resources can be broken down into needs and wants.

### Needs

These are the items you cannot do without and which should be given priority, e.g. food, shelter and clothing. Our needs are finite, but the cost of them can still be very high. Our basic needs should come first.

### Wants

Anything else you might wish to consume once your needs have been satisfied, e.g. an iPhone. Wants tend to be unlimited or infinite. We sometimes think that we need something, e.g. a designer jacket, when, in fact, we just want it and may be better off saving the money for future needs, e.g. education.

### Factors that influence needs and wants

- **Age:** As you leave education and enter the world of work, your needs and wants change, e.g. desire for travel. If you start a family, they change again, e.g. childcare needs. As you move into retirement, your priorities change yet again, e.g. the need for more health care.

- **Income:** When our incomes are low, we worry most about essentials, e.g. paying the rent. As we grow richer, we worry less about paying for our needs and shift our focus to our wants, e.g. an expensive car.
- **Prudent lifestyle:** Once their needs and a few wants are satisfied, some people don't feel a strong urge to spend the rest of their income.
- **Hobbies and pastimes:** The particular interests we develop will influence what we need or want to buy, e.g. skiing equipment.
- **Environmental consciousness:** We may wish to avoid harmful products or reduce our carbon footprint, e.g. a preference for locally grown food.
- **Influence of peers:** Many of us tend to want the same things that our friends, neighbours and colleagues want, e.g. the latest gadget.
- **Media:** We are often influenced by what we see in advertisements or trends set by celebrities and influencers, e.g. a brand of sunglasses.



## Impact on society

How you use your resources to meet your needs and wants is a decision usually best left to you. However, your decisions can have a wider impact, so society sometimes intervenes in how you spend your resources.

- **Societal decisions:** Decisions regarding infrastructure such as roads, hospitals and schools are bigger than any one individual. Usually the government makes these decisions for the good of society in general.
- **Redistribution of wealth:** In general, governments tax those who earn more and use the revenue to support those who struggle to pay for their basic needs.
- **Value Added Tax (VAT) rates:** There are higher VAT rates on luxury goods that are deemed by the government to be wants, e.g. chocolate, and lower VAT rates or even no VAT at all on goods that are considered to be needs, e.g. baby food.
- **Negative effects of individual decisions:** When individuals consume substances such as illicit drugs or alcohol, it negatively affects other people and society at large. The government bans or heavily restricts such products.
- **Encouraging desirable behavior:** The government can provide extra resources in the form of grants in order to promote cycling, solar panels, etc.



A constant theme in the exam is the interaction between people and their personal goals of making money and society's need to look after the good of everybody.

- **Social costs:** The costs paid by society as a whole as a consequence of individual decisions, e.g. noise pollution and litter from a nightclub in a residential area.
- **Impact on the environment:** An individual may not cause much damage to the environment, but all individuals taken together certainly can, e.g. the carbon footprint caused by total imports into a country. Governments pass laws to change individual behaviour for the good of all.
- **Pensions:** Governments often have compulsory pension schemes because many individuals would not otherwise invest in a pension.
- **Rights and responsibilities:** In general, individuals have a right to use their own resources as they see fit. However, individuals also have a responsibility to use their resources in a way that doesn't impose costs on society (social costs) or the environment (environmental costs).



### Question 1, NCCA Sample Questions

'Irish mobile phone usage highest in the western world, global stats reveal.'

*Irish Independent, August 27 2015*

Explain **one** social cost and **one** environmental cost of using a mobile phone.

#### Answer

##### Social cost

Many people constantly use their phones, e.g. in restaurants, on trains and in workplaces. This can reduce our enjoyment of face-to-face communication.

##### Environmental cost

People upgrade their phone every year or so, usually replacing their old one long before it has stopped working. Very few phones are recycled. All this mobile phone production and waste uses up the world's scarce resources.

#### Sample Question

Indicate in each case whether the item is a need or a want. Tick (✓) the correct box below.

	Need	Want
Games console		✓
Shoes	✓	
Holiday		✓
Food	✓	





# Household Income and Expenditure

## → Main Learning Outcome

**1.2** Students should be able to identify and classify sources of income and expenditure, compare options available to best manage financial resources, evaluating the risks associated with each option and making informed and responsible judgements.



By the end of this chapter you should:

- understand the various sources of household income
- know how to differentiate between different types of expenditure
- be able to prioritise and reduce spending where necessary.

One of the most basic yet vital skills we all have to master in life is how to make ends meet. This means understanding the sources of our income, becoming prudent about our expenditure and learning the benefits of saving.

## Sources of household income

Income is any money received by a household, whether earned (e.g. wages) or unearned (e.g. Jobseeker's Allowance). It can be divided into regular and irregular income.

### Types of regular income

Regular income is steady income you can depend on that is received on a weekly or monthly basis.

- **Pocket money:** Parents may give their children a set amount of pocket money every week, e.g. €20 in exchange for doing household chores.
- **Basic wages:** The money earned by an employee for a normal working week, e.g. €23 an hour for a 39-hour week.
- **Salary:** An annual fixed amount received from your employer in return for work performed, usually paid in monthly instalments, e.g. a nurse who is paid a salary of €43,000 a year.
- **Child Benefit:** On the first Tuesday of every month, the government pays €140 to all parents in the country in respect of each of their children under the age of 18.
- **Jobseeker's Allowance:** A weekly payment made by the government to people who are unemployed and looking for work, e.g. €203 a week for a person aged 26 or over.

- **Pension:** A regular payment received by a retired person, usually less than the wage they were paid when they worked.
- **Rental income:** A landlord who has a rental contract with a tenant can have a steady amount of rent coming in every month.
- **Benefit in kind (BIK):** Any non-cash benefit or perk given by an employer to an employee, such as:
  - a company car
  - a free parking space
  - use of a phone/computer/tablet
  - health insurance
  - subsidised meals
  - gym membership.



## Types of irregular/additional income

Income that varies from week to week or which may only be earned occasionally.

- **Self-employment:** Self-employed people work for themselves, so may not have a regular basic wage. They earn money if their services are required, e.g. the services of a window cleaner may not be required every week. Many self-employed people reach a point where they can be reasonably confident of earning enough money every week, but their incomes can still vary a good deal.
- **Casual work:** Employment is on a one-off basis, or on a daily basis when the need arises, with no guarantee of regular work, e.g. babysitting.
- **Overtime:** Employees work in excess of their normal hours, normally getting paid a higher rate per hour.
- **Commission:** Employees earn a percentage of the price of each item they sell in order to encourage them to sell more, e.g. 1% of the price of every house sold.
- **Bonus:** An extra payment made to employees for reaching a target in order to encourage them to sell more, e.g. a bonus of €1,000 if they sell 20 cars in one week.
- **Interest on savings:** If you have money on deposit in a bank or other financial institution, you will earn interest on your savings, e.g. the bank pays 2% interest on €3,000 savings.
- **Dividends:** A share of profits made by a company paid to the shareholders.
- **Gifts:** You may receive gifts of cash from relatives, e.g. on your Confirmation, at Christmas or on your birthday.
- **Inheritance:** Somebody passes away and leaves you money or other assets in their will.
- **Occasional rental income:** Some rental income varies from week to week, e.g. a holiday home rented out occasionally using Airbnb.

- **Winnings:** You win a prize, e.g. in a raffle or lottery.
- **Grant:** A sum of money paid by the government or a private organisation for a particular purpose that usually does not have to be repaid, e.g. an educational grant.
- **Sale of assets:** Sometimes you can make money by selling something you no longer need or want, e.g. a set of golf clubs or a second car.

### Example 1: Income of the Dunphy family

Income of the Dunphy Family					
	Jan.	Feb.	Mar.	Apr.	Total Jan.–Apr.
<b>Income</b>	€	€	€	€	€
Rory salary	1,200	1,200	1,200	1,200	4,800
Denise wages	1,100	1,000	1,100	1,200	4,400
Child Benefit	280	280	280	280	1,120
Dividends	55		90		145
<b>Total income</b>	<b>2,635</b>	<b>2,480</b>	<b>2,670</b>	<b>2,680</b>	<b>10,465</b>

- The rows show each of the Dunphy family's four sources of income. The total amount for January to April for each source of income appears on the right of the table.
- The columns show how much income the Dunphy family received each month. The total amount of income for each month is at the bottom of the table.
- The Dunphy family's total income for January to April was **€10,465**.

## Types of expenditure

Expenditure refers to all money spent by a household. It can be divided into fixed, irregular and discretionary expenditure.

### Fixed expenditure

The same amount is paid out each week or month. The amount paid does not depend on how much the item is used, e.g. mortgage repayments, rent, car loan repayments, insurance, TV licence, Local Property Tax, etc.

### Irregular expenditure

The amount paid varies from week to week or month to month depending on how much of an item is used, e.g. groceries; clothing; utilities such as gas, electricity and heating; petrol or diesel; bins; repairs; etc.

### Discretionary expenditure

This is spending on non-essential items, e.g. holidays, presents, home improvements, entertainment, eating out, concert tickets, etc.

### Example 2: Expenditure of the Dunphy family

Expenditure of the Dunphy Family					
	Jan.	Feb.	Mar.	Apr.	Total Jan.–Apr.
Expenditure	€	€	€	€	€
<b>FIXED</b>					
Mortgage	770	770	770	770	3,080
Car loan	250	250	250	250	1000
Motor tax		385			385
<b>Subtotal</b>	<b>1,020</b>	<b>1,405</b>	<b>1,020</b>	<b>1,020</b>	<b>4,465</b>
<b>IRREGULAR</b>					
Groceries	630	590	600	610	2,430
Diesel	85	80	95	80	340
Telephone	70	65	70	65	270
<b>Subtotal</b>	<b>785</b>	<b>735</b>	<b>765</b>	<b>755</b>	<b>3,040</b>
<b>DISCRETIONARY</b>					
Entertainment	150	140	140	160	590
Presents		40	100	75	215
<b>Subtotal</b>	<b>150</b>	<b>180</b>	<b>240</b>	<b>235</b>	<b>805</b>
<b>Total Expenditure</b>	<b>1,955</b>	<b>2,320</b>	<b>2,025</b>	<b>2,010</b>	<b>8,310</b>

- The rows show how much the Dunphy family spent on each item. The total amount for January to April for each item of expenditure appears on the right of the table.
- The columns show how much the Dunphy family spent each month.
- The subtotal rows show how much the Dunphy family spent on fixed, irregular and discretionary expenditure.
- The three subtotal rows are added at the bottom of the table to give the total expenditure for each month and for the four-month period.
- The Dunphys spent a total of **€8,310** between January and April.

### Current expenditure

This is day-to-day spending on items that are used quickly and then need to be purchased again, e.g. bread, milk, washing powder, petrol or diesel and phone credit. Most items of current expenditure involve small amounts of money, but when added together they make up a large part of our spending.

## Capital expenditure

This is one-off spending on items that usually last longer than a year, e.g. house, car, dishwasher, computer. Capital expenditure usually involves a larger amount of money, a longer-term commitment and therefore more careful decision-making.



Current and capital expenditure are also examined in Chapter 30, but for governments rather than for individuals. The basic idea is the same, but the sums of money involved are different.

## Financial cost and opportunity cost

The financial cost of an item is the money you pay to buy it, e.g. €1,000 for a television.

The opportunity cost of an item is the other items you have to do without in order to buy it, e.g. the laptop you could have bought instead of the television.



## Managing financial resources

Managing financial resources involves organising your income and expenditure in order to avoid the risk of running out of money.

- In the short term, you can borrow on the strength of your future ability to repay the loan.
- In the long term, however, your expenditure cannot exceed your income.
- It is good to learn prudence at an early age and to realise that, ultimately, you must earn in order to spend and that borrowing too much will get you into trouble.
- Remember that every time you overspend, you are transferring onto your future self the burden of earning that money back.

There are many steps you can take to try and ensure that you always have enough income to pay for your needs and wants.

## Record income and expenditure

Monitor what you are earning and spending in a notebook or on a spreadsheet or with one of the many free budgeting apps available. (For more on this, see Chapter 12.)

## Make extra money

- **Take a second job:** This is something many people have to do when their first job doesn't pay well, e.g. they wait on tables in the evenings, work in a petrol station at weekends, etc.
- **Ask for a raise:** All your boss can say is no. You'll never know if you don't ask.
- **Find a better-paying job:** If you can possibly earn more elsewhere, think about moving.
- **Get promoted:** It will mean more responsibility, but also more money.
- **Do overtime:** If there are extra hours going, work them and save the money.
- **Sell something:** You may have something of value that you can sell to raise much-needed funds, e.g. sell that coat you never wore on eBay.
- **Rent out a room:** You may have a spare room in your house that you can turn into cash.
- **Get an extra qualification:** Study at night to improve your CV.

## Prioritise your spending

You should rank your expenditure in order of importance.

- **Fixed:** Pay your mortgage, rent, car loan, etc. before anything else.
- **Irregular:** Once fixed expenditure has been covered, think about food, clothes and utility bills, etc.
- **Discretionary:** Only when all other bills have been paid should you consider a holiday or home renovations. Even then, give consideration to saving for future fixed and irregular expenditure instead.

## Reduce spending

Examine your expenditure and look for ways to cut back.

- **Reduce discretionary spending:** Invite friends over for dinner in order to eat out less; take a packed lunch to school or work; consider staying in budget hotels and flying on budget airlines; shop in charity shops – don't buy branded items just for the label; cycle if possible; read newspapers for free online or at the library; make rather than buy presents, etc.
- **Shop around:** Look for cheaper deals for your insurance and utilities, e.g. switch your electricity or gas provider; always haggle for discounts; research online to find the cheapest prices; shop at discount supermarkets, etc.
- **Reduce waste:** Turn off lights; install a programmable thermostat; buy in bulk where possible, e.g. to cook food and freeze meals in big batches; cycle or walk to school or work, etc.
- **Develop a habit of saving:** Starting with your next pocket money, save as much as you can. It starts with little steps.

- **Avoid false economies:** Sometimes you think you're saving when you're not. Spending €60 on a pair of jeans that will last for three years is smarter than spending €30 on a pair that will only last one year.
- **Don't impulse buy:** Don't buy on the spur of the moment; always make a list before shopping; and never be pressured by a salesperson.
- **Pay off debts:** Whenever you have spare cash, pay off debts and reduce your interest payments.
- **Spread payments over the year:** Schedule bills in monthly instalments to avoid paying large amounts that will drain your bank balance, e.g. €200 a month may be better than €2,400 in one go.
- **Seek advice:** If you get into trouble, seek help, e.g. from the Money Advice and Budgeting Service (MABS).



While every list in this book is intended to be thorough, your exam may only require two or three points.



### Question 12, Junior Cycle Final Examination 2019

Name a source of income associated with each of the following people:

Retired person	<i>Pension</i>
Employed person	<i>Wages</i>
Unemployed person	<i>Jobseeker's Allowance</i>

### Question 15, Junior Cycle Sample Paper, State Examination Commission (SEC)

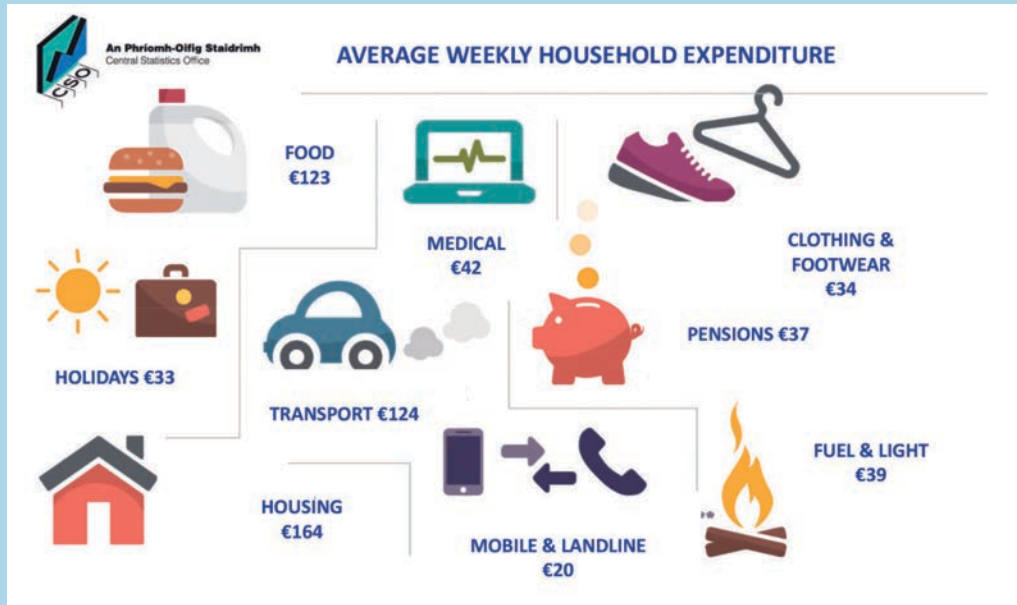
In January 2018 the government introduced a scheme giving grants for solar panels for home use. Seán and Maureen O'Mahony were considering landscaping their back garden this summer but have now decided to take advantage of the grant scheme and install solar panels in their home. Using the above information explain what is meant by opportunity cost.

#### Answer

- When you have a choice between two options, the opportunity cost is the option you don't choose and therefore have to do without.
- Since Seán and Maureen have decided to install solar panels, the opportunity cost of doing so is landscaping their back garden.

### Question 1, Junior Cycle Sample Paper (SEC)

Using the below graphic identify one example each of fixed, irregular and discretionary expenditure. Write your answers in the table below.



Fixed Expenditure	Irregular Expenditure	Discretionary Expenditure
Example: <i>Housing: €164</i> <i>Pensions: €37</i>	Example: <i>Food: €123</i> <i>Medical: €42</i>	Example: <i>Holidays: €33</i>