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| **NZQA Assessment Support Material** |

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| **Unit standard** **28088** | | | | | |
| **Title** | Demonstrate understanding of credit and debt on personal finances | | | | |
| **Level** | 1 | **Credits** | 3 | **Version** | 2 |

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| **Student guidelines** |

You will be assessed on how well you are able to:

* Describe credit in relation to personal finances including:
* use of credit (including whether the debt is good or bad debt)
* types of credit
* types of credit provider
* cost of credit.
* Describe debt in relation to personal finances including manageable and unmanageable debt.
* Describe factors affecting credit or debt in terms of impacts on personal finances.

This must cover at least **four (4)** of:

* changes in circumstances
* taxes
* interest rates
* penalties
* credit rating.

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| AWARD of Grades | |
|  | * For award with ***Achieved***, you must describe: credit and debt in relation to personal finances; factors affecting credit or debt in terms of impacts on personal finances. * For award with ***Merit***, you must demonstrate detailed understandingof credit and/or debt by giving examples and linking impacts to personal finances * For award with ***Excellence***, you must demonstrate comprehensive understanding of credit, and manageable and unmanageable debt by explaining the impacts on personal finances. |

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| Conditions of ASsessment | |
|  | This is an **open book assessment** that will take place over a timeframe set by your assessor.  Your assessor will provide you with information regarding timeframes for this assessment. |

**Assessment activity**

The assessment activity has **one (1)** **task**.

This task requires you to:

Read the scenarios and budget information and complete the **two** **(2)** tables provided.

**Table 1**

Describe the following for each of the flatmates in the scenarios in relation to their personal finances:

* use of credit (including whether the debt is good or bad debt, manageable or unmanageable)
* types of credit
* types of credit provider
* cost of credit.

**Table 2**

Select **two (2)** of the flatmates in the scenario, one with manageable debt and one with unmanageable debt, and:

* Provide supporting examples and make links to the factors affecting credit or debt in terms of impact on their personal finances (evidence of four (4) factors is required).
* Explain the impacts of credit, and manageable and unmanageable debt on personal finances.

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|  | **Scenario – Five teenagers share a flat** |

**Read through the scenario information below, including the set of budget data provided. Complete the tables that follow.**

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| **Tasi** |
| Tasi has a plumbing apprenticeship. He has been in the flat for a couple of years and has one of the larger rooms ($140 a week).  He works full time and attends plumbing courses as required. He is a keen sportsman and goes to the gym every week.  He is well into his apprenticeship and he finds he needs to carry tools and equipment with him. He believes a van or ute is becoming a necessity.  He will have to borrow the money to buy the $6000 vehicle of his choice. Vehicle financing costs will be $74 a week.  He will also have vehicle-related costs (registration, warrant of fitness, petrol, maintenance and insurance) of $70 a week. |

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| **Laura** |
| Laura is in her last year of a health science course at the local Polytechnic. Currently she is working at a nearly restaurant to supplement her income.  She spends much of her spare time at the Polytechnic gym and is not keen on extending her working hours.  Because she is in her last year, she wants to buy more sports equipment. She thinks that, when she is working full time, she can afford to go on more skiing and climbing trips. She prefers new rather than second hand gear and is considering borrowing money for this now so that she will be all set to go at the end of this year.  Her repayments will be $100 a week. |

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| **Jacqui** |
| Jacqui has just moved into the flat this year. She is Laura’s younger sister and they have decided to share the largest room ($75 a week each).  She is a business studies student at University. To supplement her income she has been able to get a job at a local supermarket.  As she is new to University life, she also wants to socialize, so she does not want to work too many hours. However, she is concerned that she has to borrow from her parents to make ends meet every week.  Jacqui believes that she needs her own computer for her studies. Her parents are not willing to fund this and she must make her own borrowing arrangements.  If she gets the $800 laptop she wants on hire purchase, it will cost her $20 a week. |

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| **Hone** |
| Hone is a first year law student. He has a scholarship to help support his studies.  He is keen to work as many hours as possible at the local petrol station as his studies permit.  He misses access to his parents’ computer to use for his studies, and has decided that a computer is a must. He is interested in the same laptop as Jacqui. |

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| **Tariq** |
| Tariq is a third year physics student. He works three shifts at the nearest fast food chain.  He wants to go overseas to undertake postgraduate studies when he has graduated and is saving money for that.  His sister, who is still at high school, is a spender. She is certain that he should be happy to lend her money to go on an overseas trip to see their grandparents before she starts her Polytechnic course next year.  Tariq is concerned that his sister will not pay him back quickly and he will not have the money he needs for his post-grad studies. |

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| **Their current budgets are as follows:** | | | | | |
| **The Flat** |  |  |  |  |  |
| **Flatmates** | **Tasi** | **Laura** | **Jacqui** | **Hone** | **Tariq** |
| **Money Received Weekly (Income)** |  |  |  |  |  |
| Student allowance |  | 150 | 150 | 170 | 160 |
| Work (tax paid) | 600 | 160 | 140 | 160 | 225 |
| Loan/Bursary |  | 30 | 30 | 100 | 40 |
| Supplements |  | 40 | 40 | 35 | 40 |
| e.g accommodation |  |  |  |  |  |
| **Total** | **600** | **380** | **360** | **465** | **465** |
|  |  |  |  |  |  |
| **Money paid out Weekly (Expenditure)** |  |  |  |  |  |
| Rent | 140 | 75 | 75 | 120 | 90 |
| Energy | 60 | 60 | 60 | 60 | 60 |
| Food | 70 | 70 | 70 | 70 | 70 |
| Transport costs |  | 20 | 20 | 15 | 20 |
| Borrowing/Hire purchase -vehicle |  |  |  |  |  |
| Borrowing/Hire purchase -sports equipment |  |  |  |  |  |
| Borrowing/Hire purchase -computer related |  |  |  |  |  |
| Clothes | 50 | 30 | 40 | 30 | 30 |
| Study related |  | 40 | 30 | 30 | 30 |
| Internet/phone | 50 | 30 | 30 | 30 | 30 |
| Personal | 100 | 40 | 40 | 60 | 50 |
| **Total** | **470** | **365** | **365** | **415** | **380** |

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| **If each flatmate borrows as outlined in the scenario, their budgets will change as follows:** | | | | | |
| **The Flat** |  |  |  |  |  |
| **Flatmates** | **Tasi** | **Laura** | **Jacqui** | **Hone** | **Tariq** |
| **Money Received Weekly (Income)** |  |  |  |  |  |
| Student allowance |  | 150 | 150 | 170 | 160 |
| Work (tax paid) | 600 | 160 | 140 | 160 | 225 |
| Loan/Bursary |  | 30 | 30 | 100 | 40 |
| Supplements |  | 40 | 40 | 35 | 40 |
| e.g accommodation |  |  |  |  |  |
| **Total** | **600** | **380** | **360** | **465** | **465** |
|  |  |  |  |  |  |
| **Money paid out Weekly (Expenditure)** |  |  |  |  |  |
| Rent | 140 | 75 | 75 | 120 | 90 |
| Energy | 60 | 60 | 60 | 60 | 60 |
| Food | 70 | 70 | 70 | 70 | 70 |
| Transport costs | 70 | 20 | 20 | 15 | 20 |
| Borrowing/Hire purchase -vehicle | 74 |  |  |  |  |
| Borrowing/Hire purchase -sports equipment |  | 100 |  |  |  |
| Borrowing/Hire purchase -computer related |  |  | 20 | 20 |  |
| Clothes | 50 | 30 | 40 | 30 | 30 |
| Study related |  | 40 | 30 | 30 | 30 |
| Internet/phone | 50 | 30 | 30 | 30 | 30 |
| Personal | 100 | 40 | 40 | 60 | 50 |
| **Total** | **614** | **465** | **385** | **435** | **380** |

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|  | **Task** |

**Table 1**

Using the information from the scenario, complete the questions in the table below.

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| **Questions** | | **Tasi** | **Laura** | **Jacqui** | **Hone** | **Tariq** |
| (a) | Is the use of credit for “good” or “bad”? Why? |  |  |  |  |  |
| (b) | Is the debt manageable or unmanageable? Why? |  |  |  |  |  |
| (c) | Identify two potential types (sources) of credit. |  |  |  |  |  |

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| **Questions** | | **Tasi** | **Laura** | **Jacqui** | **Hone** | **Tariq** |
| (d) | Identify at least two types of credit providers for each of the flatmates who wish to borrow. |  |  |  |  |  |
| (e) | What credit costs does the flatmate need to think about before taking on debt? |  |  |  |  |  |

**Table 2 (For achieved grade)**

Using one (or more) of the flatmates in the scenario describe the impacts **four (4)** of the following factors can have on their personal finances.

*Factors:* changes in circumstances, taxes, interest rates, penalties, credit rating

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| Factor 1: |
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| Factor 2: |
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| Factor 3: |
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| Factor 4: |
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**Table 3 (For merit grade)**

Select **two (2)** of the flatmates in the scenario and describe their credit and/or debt by giving examples and linking impacts to personal finances.

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| Flatmate 1: [*name*] |
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| Flatmate 2:[*name*] |
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**Table 4 (For excellence grade)**

For Hone, and one (1) other flatmate who has unmanageable debt in the scenario, explain the impacts of the manageable or unmanageable debt on their personal finances.

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| Flatmate 1:[Hone] |
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| Flatmate 2: |
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