

Lesson | Plans and Goals



Objective

- Define the word “budget”
- Identify the three key components associated with creating a budget
- Evaluate wants versus needs
- Demonstrate an understanding of product pricing

Time

45 Minutes

Materials

- Profit Parade, printable
- Road to Riches Game, optional
- Cash Card Interactive, optional

BONUS

- Your students can work their way through the world of saving, giving, and budgeting with the interactive Road to Riches adventure game! And have your students practice their vocabulary with these interactive Cash Cards.

PART I—Vocabulary/Concept Development

1 Read aloud the following scenario to your students. Then have them vote for the response they would most likely choose personally.

Pretend your parents gave you \$5 each week for an allowance. Usually, you spend \$1 each day of the school week to buy your favorite popcorn snack. However, you have seen a cool new video game that you want to buy for \$20. Your parents tell you that you must use your allowance money to buy the game. Which of the following would you most likely do?

- A) I would save my entire allowance for four weeks to buy the game.
 B) I would buy the popcorn snack just one day a week and save the other \$4 for five weeks to buy the game.
 C) I wouldn't buy the game at all.

2 Tell students that when you plan how to spend, save, and share your money you're making a **budget**. Explain that plans are essential for success. A contractor could never build a skyscraper without a plan. (Q: What is the name of a builder's plan? A: blueprint) A baker couldn't bake a cake without a plan. (Q: What's the name of the baker's plan? A: recipe) A **budget** is a type of plan. It's a plan for your money. There are three parts to making a great budget; spending money wisely, saving money, and sharing money with others. (Teacher's Note: Remind students that they should always have a parent or guardian's permission before donating money to a charitable cause.)

3 Compare a monetary budget to a budget of time. At school, time is budgeted for each activity. That budget is called a schedule. Ask students how they budget their time at home. For example, how do they budget their time in getting ready for school in the morning? How do they budget their time after school, especially if they have homework and a lot of after-school activities? Ask them how a budget of time is helpful. Emphasize that when you budget your money, you make a plan to use it wisely.

PART II—Think About Budgets

1 Ask students to think about how a school spends its money by sharing your own experiences. Schools get money from the government to educate students. The schools must spend the money wisely, so they plan how they will spend the money. Ask the students to identify some things that they might find listed in your school's budget. List the items on the board.

(Ideas may include salaries for teachers, principals, secretaries, custodians, cafeteria workers, instructional assistants, and heating, electricity, water, computers, books, paper, and supplies.)

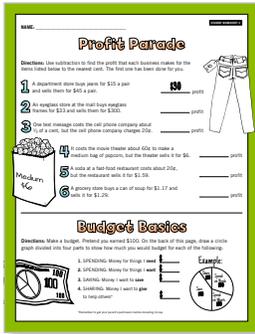
2 Ask students to think about things that might be included in their families' budgets. List the items on the board. (Ideas may include rent or mortgage payment, car payment, gas for the car, heat, electricity, cable, cell phone, internet, and taxes.)

3 Ask students to summarize why budgets are useful.

PART III—Want Or Need?

1 Remind students that there are three parts to a budget; planning how to spend money wisely, saving money, and sharing money with others. Explain that spending money is a big part of most budgets. Some money we spend for things that we need and some money we spend on things that we want. The first step in creating a successful spending budget is to spend money wisely; making sure that we have enough money to pay for the things that we need before we spend money on things that we want, but don't really need. Be sure to point out that buying things that we want, but don't really need, isn't necessarily bad, and in fact can be a lot of fun—like a day at an amusement park. But emphasize that spending money wisely means that we must pay for our needs before we spend money on our wants.

2 Tell students that to determine the difference between a want and a need, it



is good to ask yourself some questions. Write the following list of items and their prices on the board. Then use the questions below in a class discussion of each listed item. The goal is to decide if each item is a want or a need. Explain that sometimes wants and needs are differentiated by what prompts the purchase. For example, if your shoes are worn out, then sneakers are a need. If you're just tired of your old sneakers, then that's a want. Challenge students to justify their responses. Then have the class vote on whether each item is a want or a need.

Items to consider:

- sneakers (\$40)
- blanket (\$11)
- medical checkup (\$30)
- candy bar (\$1.29)
- video game (\$50)
- school lunch (\$5)
- headphones (\$249)
- cell phone (\$220)
- pair of jeans (\$30)

Discussion questions:

- How long will I use this item?
- How often will I use this item?
- Is the item worth the money that I will spend?
- Is the item a good deal?
- One year from now, will I still have this item?
- One year from now, will I be happy that I bought this item or will I wish that I still had the money that I spent?
- Do I already have another item that serves the same purpose?

PART IV—Spend Wisely

1 Ask students what it means to “find a good deal.” Have them share their ideas on how to find a good deal when buying an item.

2 Tell students that spending money wisely also involves knowing the actual value of the item that is purchased. Introduce students to the term “profit.” Explain that a store adds an amount of money to the price that it pays to the manufacturer or distributor of a product before it sells the item to you. This amount is called the “markup.” When the store sells the item this is the amount of profit the store receives. For example, if a toy store buys a toy from a manufacturer for

\$20 and then sells the toy for \$35, the store will receive a profit of \$15. Understanding the concepts of markup and profit will help students recognize when something is a “good deal” or a “bad deal.”

PART V—Hands-On Activity

Demonstrate the concept of markups and profits.

1 Give each student one strip of blue construction paper and two strips of red construction paper. Tell the students that they have gotten jobs at Chewy’s Pet Store. The blue strip of construction paper represents the amount of money that the store paid to the doggy toy company for a giant chew toy. Have the students label the blue strip “\$5.”

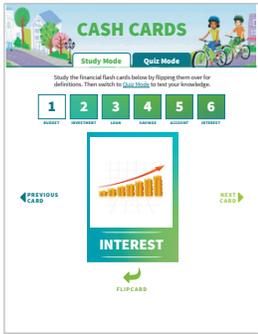
2 Tell the students to label both red strips of paper with “\$5.” Have them tape the three strips together end-to-end. Tell them this is the total price that they will charge the customers for the doggy chew toy.

3 Explain that the red strips represent the markup, which will be the profit that the store earns if the toy is sold at full price. Ask the students what the full price will be for the toy (\$15).

4 Tell the students that unfortunately the doggy chew toy did not sell at full price. So their boss has told them to cut the price in half. At this point have students cut the three connected strips in half. (This should leave half of a red strip of paper still connected to the original blue strip.) Ask the students the new price of the toy (\$7.50). Lead students into understanding that at even half price, the pet store will still make a profit of \$2.50 on the toy.

Note: This activity may also be done as a demonstration. The value of the strips may be adjusted to fit the understanding of your students.

Activity Extension: For students who are familiar with percents, this activity can be repeated using grid paper cut into strips of 10 squares. The first strip of 10 squares represents the original price. Each additional square that is added represents 10% of the original price. Have students experiment with marking up a product 40% or 60%. How does this affect the sales price? As an added challenge, ask students to use the grid paper



to demonstrate the answer to the following: A \$20 product is marked up 100%. It is then put on sale at 50% off. The sale price is \$20. How can this be?

PART VI—Using Profit Parade Activity Sheet

The Profit Parade activity sheet can be used to follow up this lesson or it can be used as a stand-alone component.

Note: Markups vary widely among retailers. The prices given in the problems on the worksheet are representative samples of approximate markups for each given product.

Answer Key:

1. \$30
2. \$267
3. $19 \frac{2}{3}\%$
4. \$5.40
5. \$1.39
6. \$.12

NAME: _____

Profit Parade

Directions: Use subtraction to find the profit that each business makes for the items listed below to the nearest cent. The first one has been done for you.

1 A department store buys jeans for \$15 a pair and sells them for \$45 a pair.

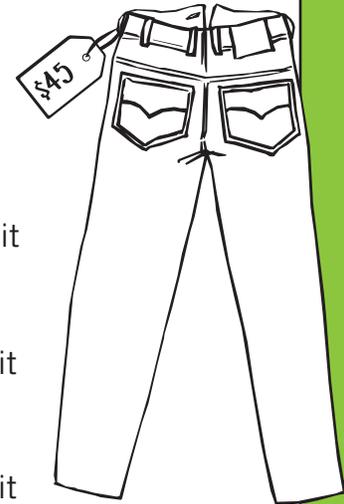
 \$30 profit

2 An eyeglass store at the mall buys eyeglass frames for \$33 and sells them for \$300.

 profit

3 One text message costs the cell phone company about $\frac{1}{3}$ of a cent, but the cell phone company charges 20¢.

 profit



4 It costs the movie theater about 60¢ to make a medium bag of popcorn, but the theater sells it for \$6.

 profit

5 A soda at a fast-food restaurant costs about 20¢, but the restaurant sells it for \$1.59.

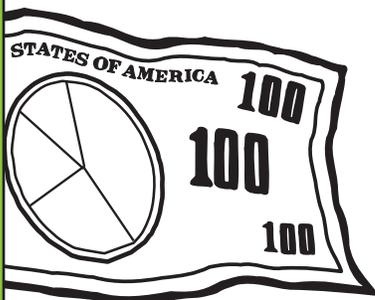
 profit

6 A grocery store buys a can of soup for \$1.17 and sells it for \$1.29.

 profit

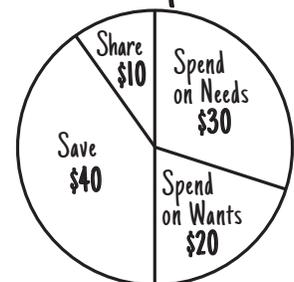
Budget Basics

Directions: Make a budget. Pretend you earned \$100. On the back of this page, draw a circle graph divided into four parts to show how much you would budget for each of the following:



1. SPENDING: Money for things I **need** \$ _____
2. SPENDING: Money for things I **want** \$ _____
3. SAVING: Money I want to **save** \$ _____
4. SHARING: Money I want to **give** to help others* \$ _____

Example:



*Remember to get your parent's permission before donating money.