



Australian Government

Department of Education, Employment and Workplace Relations

FNSFLIT201B Develop and use a personal budget

Release: 1

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Modification History

Not applicable.

Unit Descriptor

This unit addresses the basic knowledge and skills required to develop, implement and monitor a personal savings budget. It covers exploring the benefits of budgeting, identifying income and expenses and ways to monitor the budget.

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Application of the Unit

This unit has wide application and may be used in workplaces, schools, adult and community learning organisations or registered training organisations in order to build the financial literacy of learners. The unit may also be used as part of pre-vocational or new apprenticeship programs or as part of services provided by counselling or advisory organisations.

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Licensing/Regulatory Information

Not applicable.

Pre-Requisites

Not applicable.

Employability Skills Information

The required outcomes described in this unit of competency contain applicable facets of employability skills. The Employability Skills Summary for the qualification in which this unit of competency is packaged, will assist in identifying employability skills requirements. The required outcomes described in this unit of competency contain applicable facets of employability skills. The Employability Skills Summary for the qualification in which this unit of competency is packaged, will assist in identifying employability skills requirements.

Elements and Performance Criteria Pre-Content

Elements define the essential outcomes of a unit of competency.

Performance Criteria describe the required performance needed to demonstrate achievement of the Element. **Bold, italicised** terms are elaborated in the Range Statement. Assessment of performance is to be consistent with the Evidence Guide.

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Elements and Performance Criteria

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Element	Performance Criteria
1 Analyse and discuss budgeting as a financial tool	1.1 The role of budgeting in the lives of different groups is discussed 1.2 The importance of budgeting appropriately to meet expenses is analysed and discussed and related to different stages of life 1.3 The importance of setting financial goals is analysed and discussed in consultation with others 1.4 Obstacles that might prevent financial goals being achieved are analysed and discussed 1.5 The types of behaviours and skills required for successful budgeting are explored and analysed
2 Prepare to develop a personal budget	2.1 All income and expenses for a short period of time are recorded to assist in estimating expenditure requirements 2.2 A spreadsheet for recording all budget information is obtained or developed and established to record income and expenditure for a relevant period of time 2.3 All sources of income for the specified period are identified and listed using the budget spreadsheet 2.4 All regular and fixed expenses for the specified period are identified and listed using the budget spreadsheet

- 2.5 All **variable expenses** for the specified period are identified and listed using the budget spreadsheet
- 3 Develop a personal budget
 - 3.1 Total expenses recorded are subtracted from the total income to determine a surplus or deficit budget for the specified period
 - 3.2 Reasons for a deficit budget are explored and **ways to reduce expenses or increase income** are investigated
 - 3.3 Allocation of surplus funds towards saving and meeting identified financial goals is explored
- 4 Implement and monitor the personal budget
 - 4.1 The budget is followed according to plan for a period of time
 - 4.2 Actual expenses and income for the period during which the budget is implemented are recorded and compared to budgeted expenses and income
 - 4.3 Any differences in budgeted and actual amounts are looked at and the budget modified where necessary
 - 4.4 **Handy hints** for managing the personal budget are discussed
 - 4.5 Ongoing review of the budget is conducted to ensure it remains relevant and to ensure updates are incorporated if necessary

Required Skills and Knowledge

REQUIRED KNOWLEDGE&SKILLS

Knowledge requirements include:

principles of budgeting

role of credit and savings in establishing personal wealth

understanding of the financial institutions and their savings products

Skills requirements include:

communication skills including active listening and the ability to seek expert advice as required

numerical and mathematical skills as relevant to calculations of interest and loan repayments and surplus or deficit funds

Evidence Guide

EVIDENCE GUIDE

Assessment of performance requirements in the unit may be undertaken in a range of contexts including schools, adult and community education centres, counselling services, citizens' advice bureau etc. Aspects of competency, including attainment of relevant knowledge and skills may be assessed in a formal learning environment, within the workplace or as part of another service provided to the candidate. The Evidence Guide identifies the critical aspects, knowledge and skills to be demonstrated to confirm competency for the unit. Competency is demonstrated by performance of all stated criteria including the Range Statement applicable to the learning environment.

Overview of assessment requirements

To achieve competency in this unit, a person must be able to demonstrate:

ability to explain the benefits and purposes of budgeting

ability to prepare a budget spreadsheet

ability to explain the difference between fixed and variable expenses

ability to prepare a personal budget

ability to implement the personal budget

Critical aspects of evidence

Evidence required for demonstration of consistent performance:

Competence in this unit must be assessed over a period of time in order to ensure consistency of performance over the Range Statement and contexts which are applicable to the individual learner and the learning environment.

Delivery/assessment relationship to other units:

This unit may be assessed on its own or it may be assessed with other units that cover related skills and knowledge.

Evidence is most relevant when provided through an integrated activity which combines the elements of competency for the unit, or a cluster of units of competency.

Assessment requirements

Method of assessment:

For valid and reliable assessment of this unit, evidence should be gathered through a range of methods to indicate consistent performance.

Assessment of this unit of competence will

usually include observation of processes and procedures, oral and/or written questioning on underpinning knowledge and skills and other methods as required.

Context of assessment:

This unit may be assessed in a formal learning environment, in the workplace or within the environment of a related service provider such as counselling or advisory services.

Resources required for assessment:

Assessment of this unit of competency requires access to information about the budgeting process, personal financial records, software and other resources relevant to the unit of competency.

Range Statement

The Range Statement relates to the unit of competency as a whole. It allows for different work environments and situations that will affect performance.

The following variables may be present with training and assessment depending on the work situation, needs of the candidate, accessibility of the item, and local industry and regional contexts. If **bold italicised** text is shown in Performance Criteria, details of the text are provided in the Range Statement.

The different groups who may budget may include:

individuals:
single
married
elderly
students
tourists, travellers

families
businesses
Governments

Different stages of life may include:

moving out of home
studying
starting a family
buying your first home
approaching and during retirement

Financial goals may include:

accumulating a set amount of money by a specified date in the future for the purposes of:
purchasing assets
financing holidays, educational expenses, home renovations and other known future expenses
establishing a deposit for an investment such as a home or investment property

aiming to repay existing debts and be debt free

	establishing a regular savings plan
	handling income and expenditure responsibly and avoiding financial difficulties
Obstacles that might prevent financial goals being achieved may include:	being unemployed, particularly long term unemployed
	insufficient income to afford items that are beyond the individual's means
	unexpected circumstances such as losing a job, falling ill and not being able to work
Behaviours and skills required for successful budgeting may include:	controlled spending
	disciplined approach to money
	organisational skills
	record keeping skills
Budget refers to:	a calculation of all projected income and expenditure for period of time (eg over a weekly or monthly basis)
	the budget shows all projections versus actual income and expenses for the period and should be monitored
The spreadsheet may be:	simple or complex depending upon the extent of the individual's finances
	at the very least it should have one section for recording all money received as income and another section for expenses both variable and fixed
	there should then be a section to record the difference between income and expenses for the period, this being the surplus or deficit financial situation for the period
Sources of income may include:	wages, commission, bonuses, tips
	interest on investments, dividends
	social security benefits, pensions, allowances, child assistance
	proceeds from sale of assets
Fixed expenses may include:	public transport
	rent

	rates
	insurance
	loan repayments if loan is based upon fixed interest rates (eg personal loans, car loans, credit card debts, Higher Education Contribution Scheme)
	fees (school and university fees, bank fees)
	travel including public transport, petrol
	subscriptions (eg to magazines, newspapers, clubs)
Variable expenses may include:	living expenses such as food, clothing, medical
	utilities such as water, gas, electricity, telephone
	mobile telephone
	mortgage repayments
	loan repayments if loan is based upon variable interest rates
	car maintenance
	miscellaneous expenses (eg gifts, tobacco, recreation, entertainment, fines)
Ways to reduce expenses may include:	share accommodation
	moving back home
	reducing expenditure on discretionary items such as expensive clothing, magazines, eating out
Ways to increase income may include:	taking on a part-time job or holiday work
	combining part-time work with studying
	investigating eligibility for student allowances or other relevant Government benefits
Handy hints may include discussing:	the problems of impulsive buying particularly when under peer pressure
	ways to cut back on spending or change negative spending habits
	how to minimise fees and charges imposed by financial institutions

how to use credit card debt effectively

how to avoid getting into unnecessary
financial difficulties

Unit Sector(s)

Not applicable.

Relationship to other units

This unit replaces FNSFLIT201A.

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