



Australian Government

FNSFLT201A Develop and use a personal budget

Release 2

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Modification History

Version	Comments
Release 2	This version released with <i>FNS10 Financial Services Training Package v5.0</i> . Minor editorial changes made throughout.
Release 1	This unit released with <i>FNS10 Financial Services Training Package v1.0</i> .

Unit Descriptor

This unit describes the performance outcomes, skills and knowledge required to develop, use and monitor a personal savings budget.

Application of the Unit

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

Licensing/Regulatory Information

No licensing, legislative, regulatory or certification requirements apply to this unit at the time of publication.

Pre-Requisites

Not applicable.

Employability Skills Information

This unit contains employability skills.

Elements and Performance Criteria Pre-Content

Elements describe the essential outcomes of a unit of competency.	Performance criteria describe the performance needed to demonstrate achievement of the element. Where bold italicised text is used, further information is detailed in the required skills and knowledge section and the range statement. Assessment of performance is to be consistent with the evidence guide.
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Elements and Performance Criteria

ELEMENT	PERFORMANCE CRITERIA
Analyse and discuss budgeting as a financial tool	- Role of budgeting in the lives of different groups and the importance of budgeting appropriately to meet expenses are analysed, discussed and related to different stages of life - Importance of setting financial goals is analysed and discussed Obstacles that might prevent financial goals being achieved are analysed and discussed, with the types of behaviours and skills required for successful budgeting explored and analysed
Prepare to develop a personal budget	- All income and expenses for a six-month period are recorded to assist in estimating expenditure requirements Spreadsheet for recording budget information is obtained or developed and established to record income and expenditure for a relevant period of time - All sources of income and regular fixed expenses and variable expenses for the specified period are identified and listed in a personal budget using the budget spreadsheet
Develop a personal budget	- Total expenses recorded are subtracted from the total income to determine a surplus or deficit budget for the specified period - Reasons for a deficit budget are explored if relevant and ways to reduce expenses or increase income are investigated - Allocation of surplus funds towards saving and meeting identified financial goals is reviewed
Use and monitor the personal budget	- Budget is followed according to plan for a period of time - Actual expenses and income for the period during which the budget is implemented are recorded and compared to budgeted expenses and income - Differences in budgeted and actual amounts are reviewed and budget is modified where necessary Handy hints for managing the personal budget are sourced and followed - Ongoing review of the budget is conducted to ensure it remains relevant and that updates are incorporated if necessary

Required Skills and Knowledge

Required skills

numeracy and IT skills to:

- calculate interest and loan repayments and surplus or deficit funds
- use a calculator
- use internet information
- literacy skills to interpret relevant information
- learning skills to maintain knowledge of budgeting and saving techniques, and loan interest rates

Required knowledge

- principles of budgeting
- role of credit and savings in establishing personal wealth
- different financial institutions and their savings products

Evidence Guide

The evidence guide provides advice on assessment and must be read in conjunction with the performance criteria, required skills and knowledge, range statement and the Assessment Guidelines for the Training Package.

Overview of assessment	
Critical aspects for assessment and evidence required to demonstrate competency in this unit	Evidence of the ability to: • identify the benefits and purposes of budgeting • prepare a budget spreadsheet • identify the difference between fixed and variable expenses • prepare and use a personal budget.
Context of and specific resources for assessment	Assessment must ensure: • competency is demonstrated in the context of the range statement • access to and use of a range of common office equipment, technology, software and consumables • access to information about the budgeting process, personal financial records, and other relevant resources.
Method of assessment	A range of assessment methods should be used to assess practical skills and knowledge. The following examples, in combination, are appropriate for this unit: • evaluating an integrated activity which combines the elements of competency for the unit or a cluster of related units of competency • verbal or written questioning on underpinning knowledge and skills • setting and reviewing simulations or scenarios • group discussion to determine and confirm understanding.
Guidance information for assessment	

Range Statement

The range statement relates to the unit of competency as a whole. It allows for different work environments and situations that may affect performance. Bold italicised wording, if used in the performance criteria, is detailed below. Essential operating conditions that 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) may also be included.

Different groups who may budget may include:	• families • governments • individuals: • elderly • married or unmarried • students.
Different stages of life may include:	• approaching and during retirement • buying your first home • moving out of home • starting a family • studying.
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 • 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.
Spreadsheets may:	• be simple or complex, depending on the extent of the individual's finances

	• have one section for recording all money received as income and another section for variable and fixed expenses • have 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:	• interest on investments and dividends • proceeds from sale of assets • social security benefits, pensions, allowances and child assistance • wages, commission, bonuses and tips.
Fixed expenses may include:	• fees, such as: • bank fees • school and university fees • insurance • loan repayments if loan is based on fixed interest rates, such as: • car loans • credit card debts • Higher Education Contribution Scheme (HECS) • personal loans • public transport • rates • rent • subscriptions to: • magazines and newspapers • clubs • travel, including public transport and petrol.
Variable expenses may include:	• car maintenance • living expenses, such as: • food • clothing • medical • loan repayments, if loan is based on variable interest rates • miscellaneous expenses, such as: • gifts • recreation • entertainment • fines • mortgage repayments • utilities, such as: • water • gas • electricity • telephone.

<i>Ways to reduce expenses</i> may include:	• comparing prices for essential items • monitoring use of utilities • moving back home • reducing expenditure on discretionary items, such as expensive clothing, magazines and eating out • sharing accommodation • using cheaper modes of transport.
<i>Ways to increase income</i> may include:	• combining part-time work with studying • investigating eligibility for student allowances or other relevant government benefits • taking on a part-time job or holiday work.
<i>Handy hints</i> may include:	• how to avoid getting into financial difficulties • how to minimise fees and charges imposed by financial institutions • how to use credit card debt effectively • the problems of impulsive buying, particularly when under peer pressure • ways to cut back on spending or change negative spending habits.

Unit Sector(s)

Financial literacy