

Adult Basic Education  
**Economic Education**

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## Economic Education 3101A

# Study Guide

**Prerequisite:** None

**Credit Value:** 1

**Resources:** Liepner, M.E., Magnan, J.G.N., & Wasserman, A. (2001). *Exploring Business for the 21<sup>st</sup> Century*. Toronto: McGraw-Hill Ryerson.

**Economic Education Courses [Adult Oriented Electives]**

**Economic Education 3101A**  
Economic Education 3101B





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## To the Student

### **I. Introduction to Economic Education 3101A**

Economic Education 3101A is the first of two courses designed to help you become astute purchasers of goods and services. The focus is on the consumer in the marketplace, seeking to satisfy needs and wants. You must complete both Economic Education 3101A and 3101B in order to receive two credits. Credit will not be awarded until both parts are completed.

In Unit 1, *Introduction to Economics*, you will identify the needs and wants of individual consumers and communities. You will distinguish between goods and services, describe producers and consumers, and discuss the factors that give rise to market demand. You will study the forces of supply and demand and the factors that affect these two aspects of the market. You will learn how the state of the economy and the business cycle affects market conditions and consumers.

In Unit 2, *Income and Benefits*, you will summarize the various ways in which individuals and households can acquire income. Besides earning money, you will also describe additional benefits of a job.

In Unit 3, *Using Income*, you will distinguish the various ways of using income. You will identify the types of expenses, including taxes, that individuals and households typically incur. You will identify the criteria required for making effective purchasing decisions. You will also evaluate the products and services offered by major Canadian financial institutions.

In Unit 4, *Managing Money*, you will explain how fluctuations in interest rates affect saving, investing, and spending decisions. You will identify various types of investment alternatives, and compare the benefits of saving and investing. You will demonstrate an understanding of the factors that will affect the value of money over time, and you will demonstrate personal budgeting and financial planning skills.

One textbook is required for this course: *Exploring Business for the 21<sup>st</sup> Century* by Liepner, N. (2001).

## To the Student

### **II. Use of Economic Education Study Guides**

Before beginning this course, ensure you have the text and any other resources needed (*see the information in the Introduction to this course for specifics*).

As you work through the Study Guide, you will see that it is divided according to the Units listed in the Table of Contents. When you open a unit it will have the following components:

#### **Reading for this Unit:**

Here you will find the chapters, sections and pages of the text you will use to cover the material for this unit. Skim the sections of the textbook, look at the titles of the sections, scan the figures and read any material in the margins. Once you have this overview of the unit, you are ready to begin. Do not be intimidated by the content. You will work through the text, section by section, gaining knowledge and understanding of the material as you go.

<b>References and Notes</b>  This left hand column guides you through the material to read from the text. Read any highlighted notes that follow the reading instructions. The symbols ►► direct you to the questions that you should complete when finished a reading assignment.	<b>Work to Submit</b>  You come across two (2) headings in this right hand column.  <b>Writing:</b> This section comprises your notes for the unit. Here you will find either written questions or references to specific questions or problems from your text. You may want to write out each question followed by the answer. This material should be checked by your instructor before moving on to the next unit.  <b>Assignment:</b> This section indicates if there is an assignment that should be completed for the Unit. The information in the “References and Notes” column will indicate how you obtain the assignment. Some assignments may be submitted digitally while others will involve a hard copy. Ensure you read the directions carefully and speak to your instructor to determine which format is required.
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## To the Student

### **III. Recommended Evaluation**

Written Notes	10%
Assignments	50%
Test(s)	15%
Final Exam	<u>25%</u>
	100%



## Unit 1 – Introduction to Economics

To fulfill the objectives of this unit, students should complete the following:

**Reading for this unit:** *Exploring Business for the 21<sup>st</sup> Century*

Chapter 1, pages 6 – 10

Chapter 5, pages 128 – 143

References and Notes	Work to Submit
<p><i>Refer to page 6 to write answers for questions 1.1 – 1.3</i> ►►</p>	<p><b>Writing:</b></p> <ol style="list-style-type: none"><li>1.1 What are needs? Give three examples.</li><li>1.2 What are wants? Give three examples.</li><li>1.3 What is a consumer?</li><li>1.4 What is a trend? Give an example.</li><li>1.5 What is a fad? Give an example.</li><li>1.6 With the aid of a diagram, explain Maslow's pyramid of needs.</li></ol>
<p><i>Refer to page 8 to write answers for questions 1.4 – 1.5</i> ►►</p>	
<p><i>Refer to page 9 to write an answer for question 1.6</i> ►►</p>	
<p><i>Refer to page 10 to write an answer for question 1.7</i> ►►</p>	
<p><i>Refer to pages 128 – 130 to write answers for questions 1.8 – 1.12</i> ►►</p>	<ol style="list-style-type: none"><li>1.7 Complete question 1 under “<i>Check Your Understanding</i>”.</li><li>1.8 What is the law of demand?</li><li>1.9 What are the factors that influence consumers' demand for a good or service?</li><li>1.10 What is a substitute good? Give an example.</li><li>1.11 What is a complimentary good? Give an example.</li><li>1.12 How does consumer income affect demand?</li></ol>
<p><i>Refer to page 133 to write answers for questions 1.13 – 1.15</i> ►►</p>	<ol style="list-style-type: none"><li>1.13 What is supply?</li><li>1.14 Explain the law of supply.</li><li>1.15 What are some factors that influence a producer's decision to supply a good or service?</li></ol>

## Unit 1 – Introduction to Economics

References and Notes	Work to Submit
<p>Refer to page 136 to write an answer for question 1.16 ►►</p>	<p><b>Writing:</b></p> <p>1.16 Complete question 4 in “Check Your Understanding”.</p>
<p>Refer to Appendix A in this Study Guide to complete the assignment ►►</p>	<p><b>Assignment:</b></p> <p>1.17 Complete <b>Assignment 1: Supply and Demand</b>, found in Appendix A. Submit the completed assignment to your instructor for marking.</p>
<p>Refer to page 137 to write answers for questions 1.18 – 1.19 ►►</p>	<p><b>Writing:</b></p> <p>1.18 What is meant by the term “business cycle”?</p>
<p>Refer to pages 139 – 140 to write answers for questions 1.20 – 1.23 ►►</p>	<p>1.19 What is a period of prosperity?</p>
	<p>1.20 What is inflation?</p>
	<p>1.21 What happens to the economy during a recession?</p>
	<p>1.22 What is a depression?</p>
	<p>1.23 What happens to the economy during a recovery period?</p>
	<p>1.24 Complete questions 3 – 5 in “Check Your Understanding”.</p>
<p><b>Note:</b> This is the end of Unit 1. You should check with your instructor to see if there is review work or any other additional work for this unit.</p>	<p>1.25 What is ethics?</p>
	<p>1.26 What is social responsibility?</p>
	<p>1.27 List three goals of socially responsible businesses and citizens.</p>

## Unit 2 – Income and Benefits

To fulfill the objectives of this unit, students should complete the following:

**Reading for this unit:** *Exploring Business for the 21<sup>st</sup> Century*  
Chapter 9, pages 241 – 263

References and Notes	Work to Submit
<p><i>Refer to page 243 to write an answer for question 2.1</i> ►►</p>	<p><b>Writing:</b></p> <p>2.1 What are five common sources of income?</p>
<p><i>Refer to page 245 to write answers for questions 2.2 – 2.3</i> ►►</p>	<p>2.2 What is meant by savings?</p>
<p><i>Refer to page 246 to write answers for questions 2.4 – 2.5</i> ►►</p>	<p>2.3 What is interest? What is the difference between simple and compound interest?</p>
<p><i>Refer to page 247 to write answers for questions 2.6 – 2.9</i> ►►</p>	<p>2.4 What is an investment? How is it different from savings?</p>
	<p>2.5 What is a bond?</p>
	<p>2.6 What is principal?</p>
	<p>2.7 What are stocks?</p>
	<p>2.8 What is a dividend?</p>
	<p>2.9 Why are stocks often riskier investments than bonds?</p>
	<p><b>Assignment:</b></p>
	<p>2.10 Complete <b>Assignment 2: The Stock Market</b>, found in Appendix B. Submit the completed assignment to your instructor for marking.</p>
	<p><b>Writing:</b></p>
	<p>2.11 What is the purpose of social assistance programs?</p>
	<p>2.12 What is the purpose of the Canada Pension Plan?</p>

## Unit 2 – Income and Benefits

References and Notes	Work to Submit
<p><i>Refer to page 258 to write answers for questions 2.14 – 2.15</i> ►►</p>	<p><b>Writing:</b></p> <p>2.13 What are five conditions that must be met for an unemployed worker to qualify for EI?</p>
<p><i>Refer to page 259 to write answers for questions 2.16 – 2.17</i> ►►</p>	<p>2.14 What is a pension plan?</p> <p>2.15 What are some health insurance benefits that employees may offer?</p>
<p><i>Refer to page 260 to write an answer for question 2.18</i> ►►</p>	<p>2.16 What are stock options?</p> <p>2.17 What is a bonus?</p>
<p><i>Refer to pages 262 – 263 to write an answer for question 2.19</i> ►►</p>	<p>2.18 Answer question 5 under “<i>Check Your Understanding</i>”.</p> <p>Answer question 1 under “<i>Knowledge/ Understanding</i>” and questions 1 – 2 under “<i>Thinking/ Inquiry</i>”.</p>
<p><b>Note:</b> This is the end of Unit 2. You should check with your instructor to see if there is review work or any other additional work for this unit.</p>	

## Unit 3 – Using Income

To fulfill the objectives of this unit, students should complete the following:

**Reading for this unit:** *Exploring Business for the 21<sup>st</sup> Century*  
Chapter 10, pages 265 – 291

References and Notes	Work to Submit
<p>Refer to pages 266 – 267 to write answers for questions 3.1 – 3.5</p> <p>►►</p>	<p><b>Writing:</b></p> <ol style="list-style-type: none"><li>3.1 What is the difference between gross and net income?</li><li>3.2 What is a deduction?</li><li>3.3 What is the difference between mandatory and voluntary deductions? Give an example of each.</li><li>3.4 What is disposable income?</li><li>3.5 Why is it important to save a portion of your income?</li></ol>
<p>Refer to Appendix C to complete the assignment</p> <p>►►</p>	<p><b>Assignment:</b></p> <ol style="list-style-type: none"><li>3.6 Complete <b>Assignment 3: Understanding Earnings Statements</b>, found in Appendix C. Submit the completed assignment to your instructor for marking.</li></ol>
<p>Refer to page 269 to write answers for questions 3.7 – 3.8</p> <p>►►</p>	<p><b>Writing:</b></p> <ol style="list-style-type: none"><li>3.7 What is the difference between an RRSP and the Canada Pension Plan?</li><li>3.8 What is discretionary income?</li></ol>
<p>Refer to pages 271 – 273 to write answers for questions 3.9 – 3.13</p> <p>►►</p>	<ol style="list-style-type: none"><li>3.9 What are the four main types of Canadian taxes?</li><li>3.10 What is income tax? What services and programs are funded by income tax?</li><li>3.11 What is an income tax deduction?</li><li>3.12 What is taxable income?</li></ol>

## Unit 3 – Using Income

References and Notes	Work to Submit
<p><i>See your instructor for a copy of Assignment 4 ►►</i></p>	<p><b>Writing:</b></p> <p>3.13 What is a tax credit?</p> <p><b>Assignment:</b></p> <p>3.14 Complete <b>Assignment 4: Income Tax Case Studies</b>, as provided by your instructor. Submit the completed assignment to your instructor for marking.</p>
<p><i>Refer to pages 273 – 274 to write answers for questions 3.15 – 3.16 ►►</i></p> <p><i>Refer to pages 283 – 286 to write answers for questions 3.17 – 3.25 ►►</i></p>	<p><b>Writing:</b></p> <p>3.15 What is property tax? What services and programs are funded by property tax?</p> <p>3.16 What is the difference between GST and PST?</p>
	<p>3.17 What is a financial institution? Give examples of financial institutions.</p> <p>3.18 How is a credit union similar to banks and trust companies? How is it different?</p> <p>3.19 What is the difference between a savings account and a chequing account?</p> <p>3.20 What is a pre-authorized payment?</p> <p>3.21 What is a mortgage?</p> <p>3.22 What are the two types of mortgages? What are the advantages and disadvantages of each?</p> <p>3.23 What is collateral?</p> <p>3.24 What is a guaranteed investment certificate (GIC)?</p> <p>3.25 What is a mutual fund?</p>

**Note:** This is the end of Unit 3. You should check with your instructor to see if there is review work or any other additional work for this unit.

## Unit 4 – Managing Money

To fulfill the objectives of this unit, students should complete the following:

**Reading for this unit:** *Exploring Business for the 21<sup>st</sup> Century*  
Chapter 11, pages 292 – 321

References and Notes	Work to Submit
<p>Refer to pages 294 – 295 to write answers for questions 4.1 – 4.3</p> <p>►►</p>	<p><b>Writing:</b></p> <p>4.1 What is an interest rate?</p>
	<p>4.2 How do interest rates influence savings? How do they influence loans?</p>
	<p>4.3 What is inflation?</p>
	<p>4.4 Answer questions 1 – 4 under “<i>Check Your Understanding</i>”.</p>
	<p>4.5 Why are Canada Savings Bonds considered very safe?</p>
	<p>4.6 What is a tax shelter?</p>
	<p>4.7 Answer questions 1, 3 and 4 under “<i>Check Your Understanding</i>”.</p>
	<p>4.8 What is a budget? How does it differ from a financial plan?</p>
	<p>4.9 Answer questions 2 and 3 under “<i>Check Your Understanding</i>”.</p>
	<p><b>Assignment:</b></p>
	<p>4.10 Complete <b>Assignment 5: Producing a Personal Budget</b>, found in Appendix D. Submit the completed assignment to your instructor for marking.</p>
	<p><b>Writing:</b></p>
	<p>4.11 Answer question 1 under “<i>Communication</i>”.</p>

## Unit 4 – Managing Money

References and Notes	Work to Submit
<p><b>Note:</b> This is the end of Unit 4. You should check with your instructor to see if there is review work or any other additional work for this unit.</p>	

## **Appendix A**

### **Assignment 1: Supply and Demand**



## Assignment 1: Supply and Demand

**Directions:** Answer the following questions in the space provided.

Refer to the following table to answer questions 1 – 4:

**Demand Schedule for Nan's Raisin Buns®**

Price/Bun	Quantity Demanded (1000's)
\$1.00	5
\$0.75	10
\$0.50	15
\$0.25	20

1. What is the quantity demanded at a price of \$1.00? (2 *marks*)

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2. What is the quantity demanded at a price of \$0.25? (2 *marks*)

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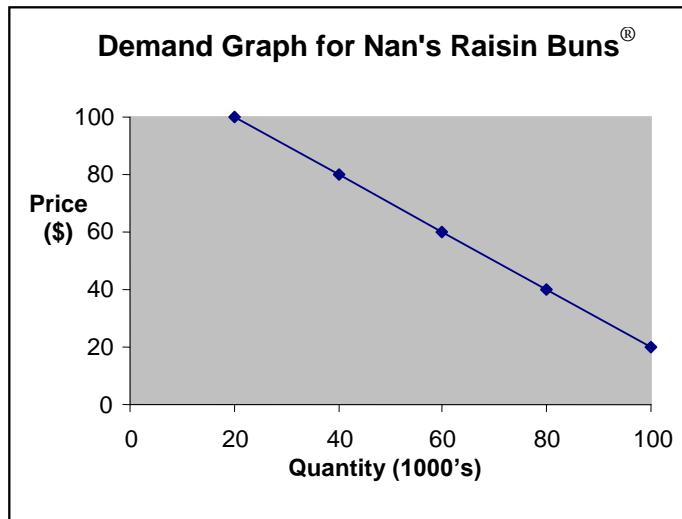
3. As price goes down, what happens to the quantity demanded? (2 *marks*)

---

4. As price goes up, what happens to the quantity demanded? (2 *marks*)

---

Refer to the following graph to answer questions 5 – 8:



5. What does the demand curve look like? (2 marks)

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6. Why is it downward sloping? (4 marks)

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7. What is the one factor that resulted in consumer tastes for Nan's Raisin Buns® to change? (2 marks) \_\_\_\_\_

8. Why are consumers willing and able to buy more of a product at a lower price? (4 marks)

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9. If Nan's Raisin Buns® was endorsed by a famous celebrity and their popularity increased, what do you think would happen to the quantity demanded at all prices? (2 marks)

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10. Which of the following demand shifters caused this change in demand? (2 *marks*)

- a. Change in the number of consumers.
- b. Change in consumer tastes and preferences.
- c. Change in consumer income.
- d. Change in the price of a substitute good.
- e. Change in the price of a complimentary good.

11. If personal income taxes decreased, what might happen to the quantity of Nan's Raisin Buns® demanded at all prices? (2 *marks*) \_\_\_\_\_

12. Which of the following demand shifters caused this change in demand? (2 *marks*)

- a. Change in the number of consumers.
- b. Change in consumer tastes and preferences.
- c. Change in consumer income.
- d. Change in the price of a substitute good.
- e. Change in the price of a complimentary good.

13. If Nan's Raisin Buns® was introduced in another country and became popular, what do you think would happen to the quantity demanded of Nan's Raisin Buns®? (2 *marks*)  
\_\_\_\_\_

14. Which of the following demand shifters caused this change in demand?

- a. Change in the number of consumers.
- b. Change in consumer tastes and preferences.
- c. Change in consumer income.
- d. Change in the price of a substitute good.
- e. Change in the price of a complimentary good.

15. If the price of Tea Biscuits by Ignatius® decreases, what might happen to the demand for Nan's Raisin Buns®? (2 *marks*) \_\_\_\_\_

16. Which of the following demand shifters caused this change in demand? (2 *marks*)

- a. Change in the number of consumers.
- b. Change in consumer tastes and preferences.
- c. Change in consumer income.
- d. Change in the price of a substitute good.
- e. Change in the price of a complimentary good.

17. If poor quality raisins were used in the production of Nan's Raisin Buns® and their popularity decreased, what do you think would happen to the quantity demanded? (2 *marks*) \_\_\_\_\_

18. Which of the following demand shifters caused this change in demand? (2 *marks*)

- a. Change in the number of consumers.
- b. Change in consumer tastes and preferences.
- c. Change in consumer income.
- d. Change in the price of a substitute good.
- e. Change in the price of a complimentary good.

19. If the price of tea bags decreases, what might happen to the demand for Nan's Raisin Buns®? (2 *marks*) \_\_\_\_\_

20. Which of the following demand shifters caused this change in demand? (2 *marks*)

- a. Change in the number of consumers.
- b. Change in consumer tastes and preferences.
- c. Change in consumer income.
- d. Change in the price of a substitute good.
- e. Change in the price of a complimentary good.

# **Appendix B**

## **Assignment 2:**

## **The Stock Market**



## Assignment 2: The Stock Market

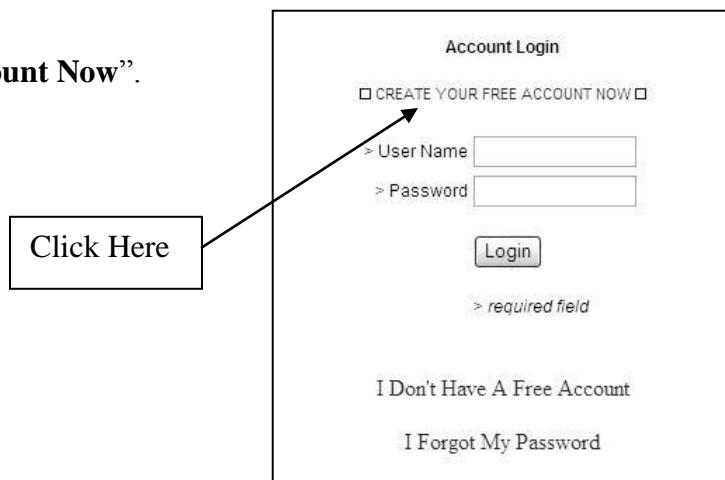
**Directions.** For this assignment, you will invest \$10,000 in the stock market for two weeks. Your goal is to make as much money as possible by the end of the two weeks. Follow the steps below to complete the assignment.

1. Go to the SimuStock website, found at <http://www.simustock.com>.
2. Click on “Create Your Free Account Now”.



The image shows the homepage of the SimuStock website. The header features a stylized bull logo and the text "SIMU STOCK" in large, bold, serif letters. Below the header is the tagline "online exchange simulation and information". A prominent button labeled "CREATE YOUR FREE ACCOUNT NOW" is centered. A text box below the button contains the following text: "Easy to use Stock Market game. Public and private competitions. No personal information required. No contact information required. Excellent learning tool. HAVE FUN!" A "Click Here" box with an arrow points to the "CREATE YOUR FREE ACCOUNT NOW" button.

3. Click on “Create Your Free Account Now”.



The image shows the "Account Login" page. It features a "CREATE YOUR FREE ACCOUNT NOW" button with a "Click Here" box and an arrow pointing to it. To the right are fields for "User Name" and "Password", a "Login" button, and a note "required field". Below the login area are links for "I Don't Have A Free Account" and "I Forgot My Password".



The image shows the "New Account Creation" form. It includes fields for "User Name", "Password", "Confirm Password", "Password Reminder", "Screen Name", "Sex" (with radio buttons for "Male" and "Female"), "Birth Year" (with a dropdown menu showing "1975"), and a "Create User Account" button. A note "required field" is located at the bottom. A "Click here when you're finished" box with an arrow points to the "Create User Account" button.

4. Complete the “New Account Creation” form. Be sure to record your username and password in a secure place.

5. Click on “New Trading Account”.

Click Here

Welcome, guest123 Logout

symbol lookup | stock list

My Accounts | New Trading Account | Join Competition | New Competition

**TRADING ACCOUNTS**

Account Name	Starting Balance	Liquidation Value	Return
No Accounts Found			

**TRADING COMPETITIONS**

Competition Name	Starting Balance	Liquidation Value	Return	Position
No Competitions Found				

6. Type “Economic Education” in the “Account Name” block and “10,000” in the “Cash Balance” block.

Economic Education

10,000

Welcome, guest123 Logout

symbol lookup | stock list

My Accounts | New Trading Account | Join Competition | New Competition

**Create New Trading Account**

> Account Name

> Cash Balance \$

**Create**

> required field

Click Here when you're finished

7. Under “Account Name” click on “Economic Education”.

Click Here

Welcome, guest123 Logout

symbol lookup | stock list

My Accounts | New Trading Account | Join Competition | New Competition

**TRADING ACCOUNTS**

Account Name	Starting Balance	Liquidation Value	Return
Economic Education	\$10,000.00	\$10,000.00	0.00%

**TRADING COMPETITIONS**

Competition Name	Starting Balance	Liquidation Value	Return	Position
No Competitions Found				

8. You now have \$10,000 to invest in the stock market. Now here comes the tricky part – deciding what to invest in and how much. You may invest in as many different companies as you want, but keep in mind there is a fee of \$10.00 for each time you buy shares and another \$10.00 for each time you sell your shares. There are numerous websites you can research to determine which stock you want to invest in but you can directly determine how well a stock is performing from SimuStock.

**Example:**

9. Let's say you want to invest in Microsoft. First, click on the “**Stock List**” tab under the “Quote” button.

Click Here

Stock	Quantity	Price	Change	Percent	Value
No Stocks Found For This Account					

10. Next, click on the letter “M” for Microsoft.

Click Here

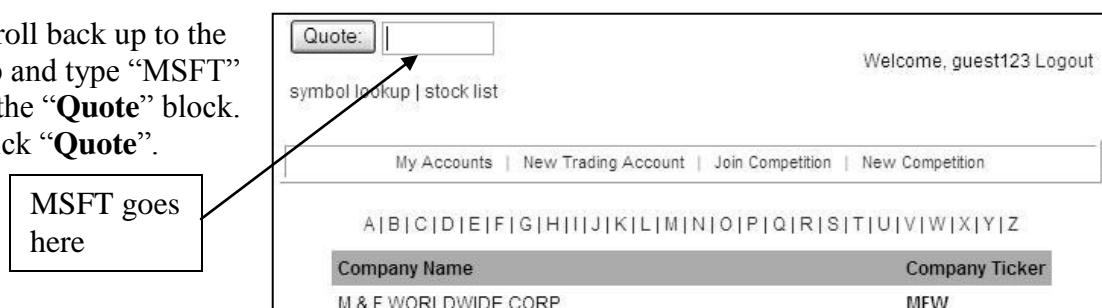
Company Name	Company Ticker
AAR CP	AIR
ABM INDUSTRIES INC	ABM
ACM INCOME FD INC	ACG
AFLAC INC	AFL
AK STEEL HLDG CORP	AKS
AMR CP	AMR
A.D.A.M. SOFTWARE INC	ADAM

11. Scroll down until you find Microsoft. Microsoft is abbreviated MSFT.

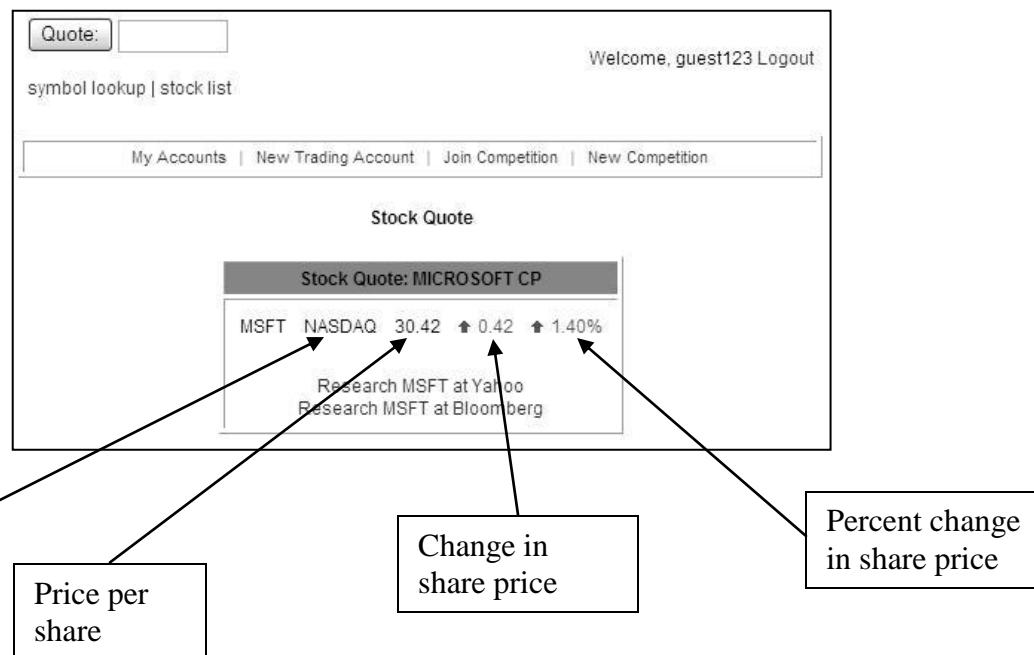
Remember this

MICRONETICS WIRELESS	NOIZ
MICRO SYSTEMS, INC.	MCRS
MICROGEMI CORPORATION	MSCC
MICROSOFT CP	MSFT
MICROSTRATEGY INCORPORATED	MSTR
MICROSOFT INC	TUNE
MICROWISION, INC.	MVIS
WIRELESS EXPANSION INC	WEIN

12. Scroll back up to the top and type “MSFT” in the “Quote” block. Click “Quote”.



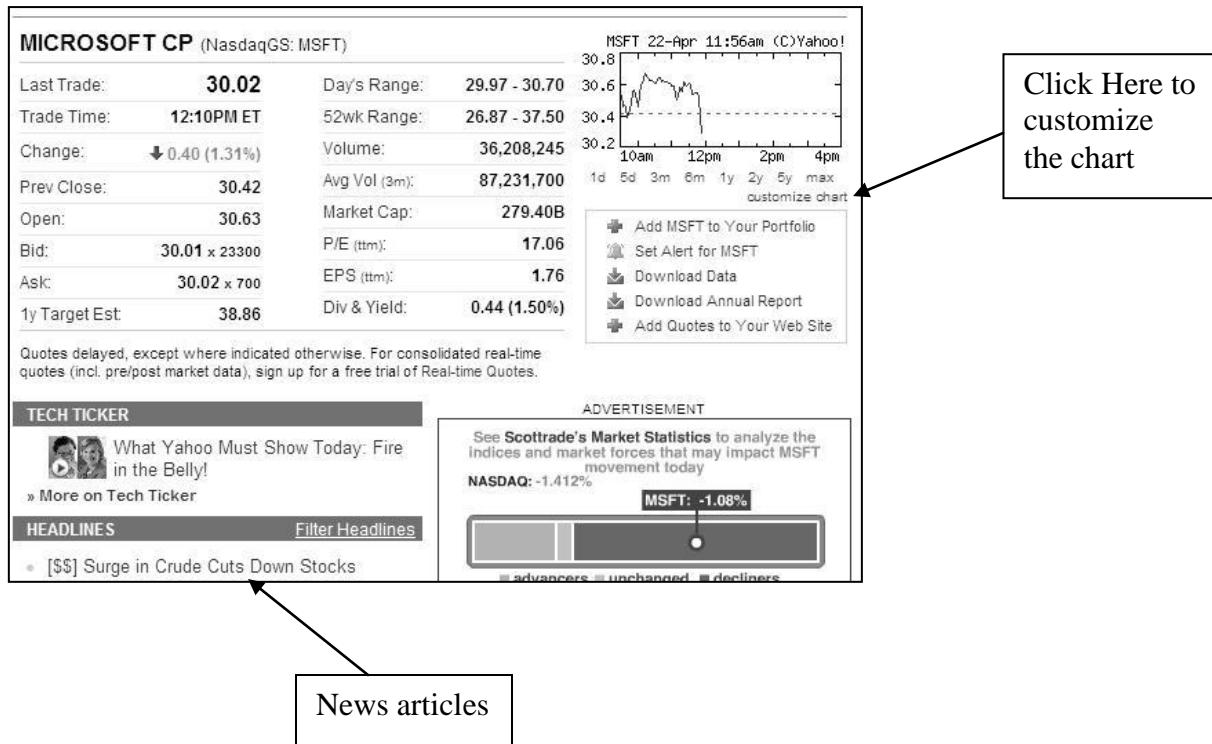
13. This quote will tell you the stock exchange it is traded on, its current price per share, how much it has gone up or down since trading started that day, and by what percentage.



14. To find out more about how the stock has performed in the past, click “Research MSFT at Yahoo”.

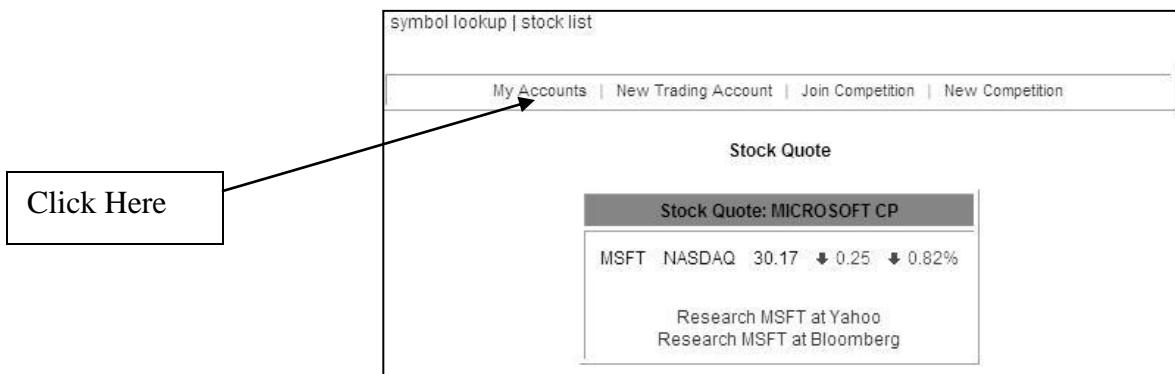


15. At this site, you can find out how well the stock has historically performed by customizing the chart, and you can read news articles about the company.



### ***Buying & Selling:***

16. If you want to buy this stock, click “**My Accounts**” then “**Economic Education**”, then “**Trade**”.



Then Here

Account Name	Starting Balance	Liquidation Value	Return
Economic Education	\$10,000.00	\$10,000.00	↑ 0.00%

Now Here

Stock	Quantity	Price	Change	Percent	Value
No Stocks Found For This Account					

17. In the “**Ticker**” block, type the abbreviated name of the stock (e.g. MSFT). In the “**Quantity**” block, type in the number of shares you want to buy. You can use the “**Calculator with stock quotes**” to help determine how much you will have to pay. When you are finished, click the “**Buy**” button. For “**Order Type**” you can select “**Market Order**”, which is the current price of the stock, or you can select “**Limit Order**”. If you want to buy the stock when it drops to a specific price, you can type in the price in the “**Limit Price**” block and the stock will be automatically bought if and when the price drops to that level. For example, if a stock is trading at \$50 a share but you think it will drop to \$45 a share, you can type in \$45 in the “**Limit Price**” box and if the price drops to \$45, you will automatically purchase the stock.

Trade On Account: Economic Education

required field

18. Selling is a similar process. Type the abbreviated name of the stock in the “**Ticker**” block, the number of shares you want to sell in the “**Quantity**” block, click the “**Sell**” button, select “**Market Order**” or “**Limit Order**” (see above for an explanation of the difference) and hit the “**Submit Order**” button.
19. This assignment will take at least two weeks to complete. If at all possible, try to invest your entire \$10,000 on the first day of the assignment. At the end of the two weeks, answer the questions below. Good luck and have fun!

## Questions

- i. Select the “**Transactions**” button and print the screen. Submit this as part of your results.
- ii. What is the liquidation value of your shares at the end of two weeks? How much did you make/lose?
- iii. Looking back at your transactions, what, if anything, would you have done differently?
- iv. Two weeks is a short time to play the stock market. How much money would you have made/lost if you bought 100 shares of Imperial Oil on June 15, 2006?



# **Appendix C**

## **Assignment 3:**

### **Understanding Earnings Statements**



## Assignment 3: Understanding Earnings Statements

**Directions:** Review the sample pay stub and answer the questions that follow. Show your workings where applicable.

<b>Department of Government Services</b> 13 Churchill St Happy Valley – Goose Bay, NL A0P 1E0		Pay Group: OHSO Pay Begin Date: 03/19/2008 Pay End Date: 04/01/2008	Business Unit: OHSLN Advice #: 0137582 Advice Date: 04/01/2008					
Olive McLovin 17 Morris St Wabush, NL A0R 1B0	Employee ID: 195003962 Department: Occupational Health & Safety Division Location: Dept of Government Services, Wabush Job Title: Hazardous Materials Officer Pay Rate: \$1823.50	TAX DATA: Federal Quebec NL Net Claim Amt: 9600.00 7,566.00 Spcl Letters: Addl Pct: Addl Amt						
<b>HOURS AND EARNINGS</b>								
Description	Rate	Hours	Earnings	-----Current-----	-----YTD-----	Description	Current	YTD
Regular Basic Pay	26.05	63.00	1,641.15	476.00	12,399.80	CIT	428.59	3,000.09
Statutory Holiday	26.05	7.00	182.35	14.00	364.70	CPP	103.15	722.02
Total:		70.00	1,823.50	490.00	12,764.50	EI	38.38	268.64
						Total:	570.12	3,990.05
<b>BEFORE-TAX DEDUCTIONS</b>			<b>AFTER-TAX DEDUCTIONS</b>			<b>EMPLOYER PAID BENEFITS</b>		
Description	Current	YTD	Description	Current	YTD	Description	Current	YTD
Public Service Pension Plan	128.99	956.80	Group Medical	15.27	106.89	Group Medical	15.27	106.89
			Group Life	5.40	37.80	Group Life*	5.40	37.80
			Voluntary Life	2.80	19.60	Group AD/D*	0.45	3.15
			Group AD/D	0.45	3.15	Public Service Pension Plan	128.99	956.80
			Optional AD/D	2.70	18.90	Worker's Compensation Board	16.64	116.48
			Long Term Disability	26.10	182.70			
			Union	24.00	168.00			
Total:	128.99	956.80	Total:	76.72	537.04	*Taxable		
<b>TOTAL GROSS</b>		<b>CIT TAXABLE GROSS</b>		<b>TOTAL TAXES</b>		<b>TOTAL DEDUCTIONS</b>		<b>NET PAY</b>
Current:	1,823.50		1,688.66		570.12		205.71	1,047.68
YTD:	12,764.50		11,402.05		3,990.05		1,493.84	7,279.91
<b>NET PAY DISTRIBUTION</b>								
								Total: 1,047.68

### Questions:

1. If McLovin is paid biweekly, how many paychecks will she get in a year? (2 marks)
2. How many hours does she work a week? (2 marks)
3. What is McLovin's annual salary? (2 marks)
4. What percent of her gross biweekly pay is deducted for income tax? (2 marks)
5. Visit the Canada Revenue Agency's website ([www.cra.gc.ca](http://www.cra.gc.ca)) to answer the following questions:
  - a. How much net federal income tax will McLovin be required to pay based on her current annual salary? (2 marks)

- b. How much net Newfoundland and Labrador provincial income tax will she be required to pay based on her current annual salary? (2 *marks*)
- c. Is McLovin having enough income tax deducted from her biweekly paycheck? Explain. (4 *marks*)

6. How much is McLovin paying for insurance biweekly? Annually? (4 *marks*)

7. If McLovin decided to stop paying for life insurance (Group Life, Voluntary Life, Group AD/D, Optional AD/D, Long Term Disability), what would be the total amount of her deductions? Do you think this is a good idea? Why or why not? (4 *marks*)

8. How much extra does McLovin earn in the form of her public service pension plan, health insurance, and life insurance benefits? (2 *marks*)

9. What is the difference in net pay and gross pay? What percentage of her gross pay does she actually receive? (4 *marks*)

10. As an employee, why is it important to know your total monthly deductions? (2 *marks*)

# **Appendix D**

## **Assignment 5:**

### **Producing a Personal Budget**



## Assignment 4: Producing a Personal Budget

Use the attached budget sheets to set up and maintain Gabrielle's budget. Then, use the other sheet to rework Gabrielle's budget so that it realistically reflects her financial situation.

### ***her planned income and expenses***

Gabrielle works part-time at a greeting card company and part-time at a music store. The net monthly income from her first job is \$600. The net monthly income from her second job is \$800.

Her planned fixed monthly expenses include:

- \$233 for rent and utilities (she shares an apartment with two friends)
- \$40 for phone
- \$15 for cable
- \$110 for car payment
- \$168 for car insurance

Her planned flexible expenses include:

- \$100 (to save for post-secondary education)
- \$150 for food
- \$160 for gas and oil
- \$50 for clothes
- \$60 for entertainment
- \$30 for personal and household items

### ***how her month actually went***

1. What she made:
  - Gabrielle made an extra \$45 in overtime pay this month
2. What her fixed expenses actually were:
  - Rent went up to \$250, starting this month
  - Her monthly car insurance premium, as of this month, went up to \$180
3. What her flexible expenses actually were:
  - \$190 for food (she had a dinner party for which she hadn't budgeted)
  - \$185 for gas and oil (her car needed an oil change)
  - \$20 for parking
  - \$220 for car repairs
  - \$80 for a new pair of running shoes
  - \$70 for entertainment

- \$60 for personal items
- \$36 for a birthday present for her mother
- \$0 saved for post-secondary education

4. Unforeseen events:

- Gabrielle got two speeding tickets in one week. The total cost of both tickets is \$185.

### ***how does her budget look now?***

1. Using the attached budget sheet, set up Gabrielle's planned and actual budget. (10 marks)
2. What is the difference between Gabrielle's planned expenses and her actual expenses? (2 marks)

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3. In what areas did she overspend? (2 marks) \_\_\_\_\_

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4. In what areas did she spend less than she planned? (2 marks) \_\_\_\_\_

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5. How much did she spend for the use of her car this month? (2 marks) \_\_\_\_\_

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6. How much money did she have at the end of the month to put into savings? (2 marks) \_\_\_\_\_

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***if it were your budget...***

1. Using the attached budget sheet, or spreadsheet software such as Excel, set up a new budget for Gabrielle. Feel free to use your own budget sheet if you would like to add or remove expenses. Use Gabrielle's income as a starting point. Try to keep her budget as realistic as possible. (10 marks)
2. What did you change about the budget? (2 marks) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. How much would you save each month to put toward your personal and financial goals? (2 marks) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



## ***gabrielle's current budget***

<b>income</b>	<b>budget</b>	<b>actual</b>	<b>difference</b>
Job #1	\$	\$	
Job #2	\$	\$	
Other	\$	\$	
<b>total monthly income</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>expenses</b>	<b>budget</b>	<b>actual</b>	<b>difference</b>
fixed expenses			
Rent	\$	\$	\$
Car insurance	\$	\$	\$
Car payment	\$	\$	\$
Other	\$	\$	\$
flexible expenses			
Food/Eating out	\$	\$	\$
Utilities	\$	\$	\$
Transportation	\$	\$	\$
Bus fare	\$	\$	\$
Gas & oil	\$	\$	\$
Parking	\$	\$	\$
Repairs	\$	\$	\$
Other	\$	\$	\$
other			
Savings	\$	\$	\$
Clothing	\$	\$	\$
Entertainment	\$	\$	\$
Personal items	\$	\$	\$
Medical (e.g. Rx)	\$	\$	\$
Household items	\$	\$	\$
Tuition/school expenses	\$	\$	\$
Other	\$	\$	\$
<b>Total monthly expenses</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Income – Expenses</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>



## ***gabrielle's new and improved budget***

<b>income</b>	<b>budget</b>
Job #1	\$
Job #2	\$
Other	\$
<b>total monthly income</b>	\$
<b>expenses</b>	<b>budget</b>
<b>fixed expenses</b>	
Savings	\$
Rent	\$
Car insurance	\$
Car payment	\$
Other	\$
<b>flexible expenses</b>	
Food/Eating out	\$
Utilities	\$
Transportation	\$
Bus fare	\$
Gas & oil	\$
Parking	\$
Repairs	\$
Other	\$
<b>other</b>	
Clothing	\$
Entertainment	\$
Personal items	\$
Medical (e.g. Rx)	\$
Household items	\$
Tuition/school expenses	\$
Other	\$
<b>Total monthly expenses</b>	\$
<b>Income – Expenses</b>	\$