

Grades 4-5

Lesson 4



Budgeting for a Business

Rationale: This lesson is intended for elementary students in fourth through fifth grades during a forty minute time period. The lesson explores the concept of credit, creating a budget/business plan, and using the bank to help achieve a goal through activities and examples. The activities guide students in becoming aware of how credit is obtained and how a structured plan will help enable them to achieve their financial goal.

Lesson Objectives: Students will be able to:

- Define credit.
- Describe how to get credit.
- Recognize and explain why banks/institutions offer credit to their customers.
- Establish a goal for earning money
- Create a budget/business plan to achieve the goal

Materials:

- Posters from Lesson 3 (1-3 only)
- Markers
- Chart paper
- Poster board
- Tape
- Worksheets or chart paper drawings with Brainstorming Webs and Business Plan Worksheet.

Setting the Stage:

Background Builder #1: Ask 5-10 students to name places they would like to visit. These may be recorded on a copy of the Brainstorming Web on a transparency or copied on the chalk/white board. Next ask the students how they could make these desires become realities. Record all possible ideas in a list.

State the Objective: tell the students what they will be able to do upon conclusion of the lesson.

“Today we are going to learn about using credit to build a budget that will enable you to meet a goal. Your goal will be to take a trip! This skill will help you in the future when you decide to do something that you do not have enough cash to buy or afford all at once. You will be able to define how credit can help you to begin a business using a budget that will help you achieve your ultimate goal.”

The Lesson Procedure:

Have students volunteer to read the following blurbs printed on large poster board. *These should be available from Lesson 3.* The information in parentheses will allow for you to elaborate on the point of interest once it has been read from the poster. As you move to a new poster, cover the old poster to keep the pupils focused on the one that needs to be attended to currently. This can also be done on overhead transparencies.

- **Credit is when the bank agrees to buy a product for you and trusts that you will pay them back over time.** (Types of credit can be in the form of a credit card or a loan. A loan lets you buy something expensive that you really want such as a boat, a car, an education, or even a home.)
- **In order to get credit you have to apply or ask for it.** (The bank will grant credit to you if you’ve proven yourself to be a person who is responsible with money. They can find out by running a credit report that lists how you’ve handled money in the past. They will also base their decision on the money you have or expect to receive in the future as well as what you own. If you can’t pay the bank back, the collateral you provide may be cashed in to repay the loan. You should also know that the bank will put a limit on how much you can spend/borrow to protect you from taking more than you’re able to pay back. If the bank decides to offer you credit, you may have to pay a fee every year to use this service.)
- **The bank lends you money because it gives them an opportunity to make money.** (If you decide to take a long time paying back the money you borrow, you have to pay back extra which is called interest.)

Now that you have reviewed the concept of credit, it’s time to begin talking about how credit can get them started on their way to earning. Propose to the students that there is a field trip to Great Adventure. It’s going to be a lot of fun, but it’s also a very expensive trip. Their parents have said that they cannot afford the cost of the trip, so therefore it is up to the student to create a plan that will enable him/her to participate in the trip.

“Let’s come up with a plan to help you afford the trip to Great Adventure. You will need to ask your parents or someone to help you with a line of credit if you do not have the money for start up expenses.” Tell the students that they can start a lemonade business. This business will require some start up expenses to cover the cost of purchasing cups, lemonade drink mix, poster board

for signs, tape, and markers. Here are some things that will need to be considered:

- How much will it cost to purchase the supplies listed above?
- How many cups will you have to sell?
- After you borrow the money, as long as you give it back after the first sale that's all you owe.
- If you keep the money longer, you have to pay your parents the money for each day that it's kept past the due date.
- You want to make money.
- How much should you charge per cup?
- Your parents want you to repay them within a reasonable amount of time so that someone else can borrow the money if needed.

Ask students to respond to the following question, "How can you determine you're the cost per cup?" Encourage them to use the Business Plan Worksheet to help them. Allow 7-10 minutes for them to generate a response. Then ask students to share their responses; guide students to uncover the idea that sometimes you must spend money first before you can earn it.

Review the answers on the Business Plan Worksheet to ensure all students understand the concepts of start up costs and profit.

Closing the Lesson:

Review with students why people obtain credit and how they use it. You may also select any number of activities from the section entitled "Ways to End and Review Lessons" in order to encourage students to work with, relate to, and retain the presented information.

National Council of Teachers of Mathematics Principles and Standards for School Mathematics, 2000.

Connections – (Students will) Recognize and use connections among mathematical ideas.

Connections – (Students will) Recognize and apply mathematics in contexts outside of mathematics.

Ways to End and Review Lessons

Beach Ball Toss: Write end of lesson review questions on a beach ball. When it's tossed the individual who catches it must read and answer the question written under his/her right thumb.

Sample Questions:

- Give an example of why people need to use credit.
- Define credit.
- When do you have to pay interest?
- What do you give the lender in return for the money?
- How can credit be used in your life now or in the future?
- How do you determine profit?

Interview: In pairs of two, students interview one another with regard to lesson content. When both pupils have had ample time to interview, they must summarize the partner's feedback in either written report or oral format.

Sample Questions:

- How would you define credit?
- How do you get credit?
- Why is it important to use a plan when creating a budget to earn something?
- How can credit be used in your life now or in the future?
- Why is it important to calculate profit?

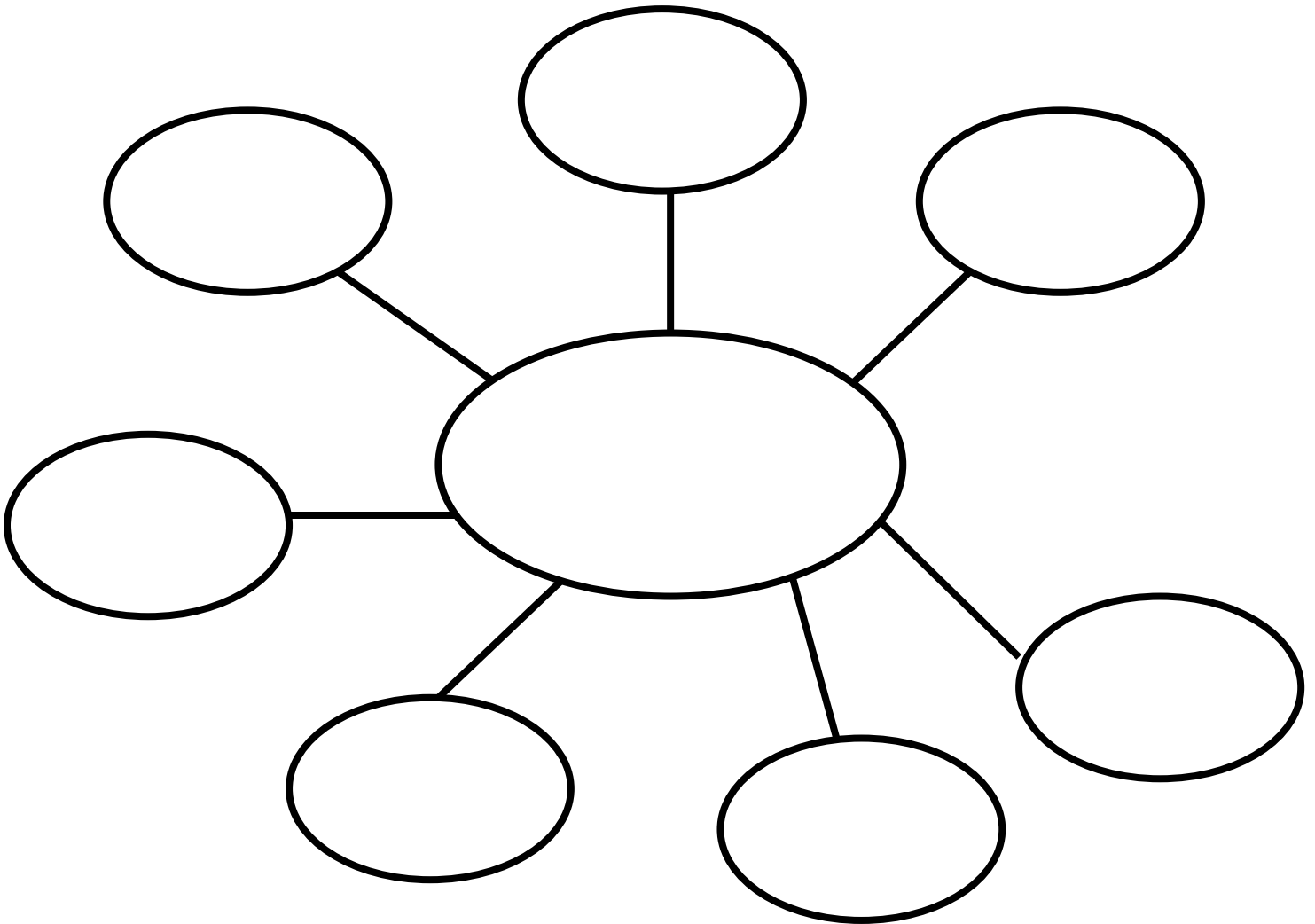
Student generated questions should also be encouraged in place of or in addition to the ones listed above.

Quiz the Teacher: Students have the opportunity to flip roles and ask the teacher the questions typically asked of them. Questions need to be generated by each student.

Storyboard: Have students write and illustrate a storyboard. A piece of paper is folded into 6 or 8 squares, which are filled with a picture and caption for each square. The story should be an example of how credit and a Business Plan Worksheet could help them achieve a financial goal.

Brainstorming Web

One of the easiest ways to motivate student thinking is through brainstorming. In this process a particular topic is provided and students are then asked to supply all the associations they can think up. Brainstorming can be done individually, but is most effective as a paired, small group, or whole class activity. Record all responses (provided they are appropriate in language) without offering judgment on the ideas.



Business Plan Worksheet for Lemonade Stand

Cost of trip: \$30.00

Date to begin: _____ **Deadline:** _____

Goal: to make enough money selling 100 cups of lemonade to pay for a trip to Great Adventure. We will assume that your parents will lend you the money to start your business and accept repayment after your first sale.

Supplies

Country Time Lemonade Drink Mix (19 ounces)	\$2.50 each
The drink mix will make approximately 50 four ounce glasses of lemonade, therefore you will need two containers of lemonade drink mix.	

Paper cups (4 ounces), package of 100	\$2.50
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Poster Board for advertising, 2 pieces	\$1.00
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*Markers and tape can be found at home.

Cost of supplies to make 100 cups of lemonade = _____

How much does it cost to make each cup? _____
(cost of supplies / 100)

How much should I charge?

100 cups at \$.25 each = $\frac{\text{_____}}{\text{money earned}} - \frac{\text{_____}}{\text{cost of supplies}} = \frac{\text{_____}}{\text{profit}}$

Is it enough? _____

100 cups at \$.35 each = $\frac{\text{_____}}{\text{money earned}} - \frac{\text{_____}}{\text{cost of supplies}} = \frac{\text{_____}}{\text{profit}}$

Is it enough? _____

100 cups at \$.50 each = $\frac{\text{money earned}}{\text{cost of supplies}} = \text{profit}$

Is it enough? _____

So, now you know you must sell 100 cups of lemonade for \$_____ each.

Will you have any money leftover for spending at Great Adventure?

Profit _____

Subtract cost of trip _____

Equals spending money _____

Congratulations! Your lemonade business will be a success if you sell 100 cups at \$.50 each. But, how many lemonade sales will you need to have? The answer to that question will depend on the day of the week, amount of time, weather conditions, and traffic. A good salesperson realizes that it takes time and hard work to reach a sales goal. Don't be discouraged. Plan your sale early so that you will be able to have others if necessary.