

**GRADE 9**

**BUSINESS STUDIES**

**UNIT 3**

**BEING A WISE AND RESPONSIBLE CONSUMER**

Are You Credit Wise?

**COURSE BOOK 3**

NAME: \_\_\_\_\_  
ADDRESS: \_\_\_\_\_  
DISTRICT OR  
PROVINCE: \_\_\_\_\_



**FLEXIBLE, OPEN AND DISTANCE EDUCATION**  
**PRIVATE MAIL BAG, WAIGANI, NCD**  
**PAPUA NEW GUINEA**

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## **GRADE 9**

## **BUSINESS STUDIES**

## **UNIT 3**

## **BEING A WISE AND RESPONSIBLE COMSUMER**

## **COURSE BOOK 3**

**TOPIC 1: A WISE AND RESPONSIBLE CONSUMER**

**TOPIC 2: CONSUMER'S NEED FOR A BUDGET**

**TOPIC 3: SAVING MONEY**

**TOPIC 4: BORROWING MONEY**

## **Acknowledgements**

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**DEMAS TONGOGO**

**PRINCIPAL**

Compiled by: Lucy Joseph

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## SECRETARY'S MESSAGE

Achieving a better future by individual students and their families, communities or the nation as a whole, depends on the kind of curriculum and the way it is delivered.

This course is part and parcel of the new reformed curriculum – the Outcomes Based Education (OBE). Its learning outcomes are student – centred and written in terms that allow them to be demonstrated, assessed or measured.

It maintains the rationale, goals, aims and principles of the national outcome based curriculum and identifies the knowledge, skills, attitudes and values that students should achieve.

This is a provision by Flexible, Open and Distance Education as an alternative pathway of formal education.

The course promotes Papua New Guinea values and beliefs which are found in our Constitution, Government policies and reports. It is developed in line with the National Education Plan (2005 -2014) and addresses an increase in the number of school leavers who have been coupled with a lack of access to secondary and higher educational institutions.

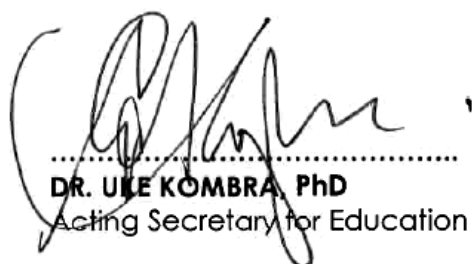
Flexible, Open and Distance Education curriculum is guided by the Department of Education's Mission which is fivefold:

- To facilitate and promote the integral development of every individual
- To develop and encourage an education system which satisfies the requirements of Papua New Guinea and its people
- To establish, preserve and improve standards of education throughout Papua New Guinea
- To make the benefits of such education available as widely as possible to all of the people
- To make the education accessible to the poor and physically, mentally and socially handicapped as well as to those who are educationally disadvantaged.

The college is enhanced to provide alternative and comparable pathways for students and adults to complete their education through a one system, many pathways and same outcomes.

It is our vision that Papua New Guineans harness all appropriate and affordable technologies to pursue this programme.

I commend all those teachers, curriculum writers and instructional designers who have contributed so much in developing this course.



.....  
**DR. UKE KOMBRA, PhD**  
Acting Secretary for Education

## UNIT 3 INTRODUCTION

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Welcome to the first topic in your Grade 9 Business Studies – *Unit 3 - Being a Wise and Responsible Consumer*. In this unit, you will learn different ways which you as a consumer can impact on the environment in your choice of the use of goods and services in the daily living in the rural or urban settings. As a student you can create awareness strategies by making responsible decisions about using consumer goods and services responsibly. Furthermore, you can do your own assignment to compare and contrast the prices of goods and services available here. Finally design an action plan for positive consumer behaviour.

Grade 9 Business Studies – Being a Wise and Responsible Consumer incorporates four topics:

- Topic 1: The Wise and Responsible Consumer
- Topic 2: Consumer's Need For A Budget
- Topic 3: Saving Money
- Topic 4: Borrowing Money

### **Topic 1: The Wise and Responsible Consumer**

In this topic, you will learn about “The Wise and Responsible Consumer”. It is about making wise and responsible decisions as a consumer of goods and services. The money earned is limited but the goods and services wanted are unlimited. This limited money will have to be budgeted in order to meet the needs and wants of the consumer. You as a consumer must develop an attitude of maintaining a budget and keep an accurate personal financial records.

### **Topic 2: Consumer's need for a Budget**

In this topic, you will learn about a “Consumer's Need for a Budget”, define what a budget is and identify the main parts. You will also develop an attitude of maintaining a budget. Finally, design a workable and realistic budget and use it accordingly and only change it when the situation warrants it.

### **Topic 3: Saving Money**

In this topic, you will learn the skills and knowledge of how to save money. Furthermore, you will develop the ability to set money aside for later use while going through this topic. A hands on practice exercise on opening bank accounts will be done, plus banking by phone, use of EFTPOS, credit and debit cards, with the latest methods of internet banking. Basic procedures such as depositing and withdrawing money, writing out cheques and reconciling a bank statement with the cheque butt will all be part of the hands on practice for you in this topic.

**Topic 4: Borrowing Money**

In this topic, you will learn about issues and the art of Borrowing Money. People borrow money for many reasons. Today with improved and varied financial facilities, there are a number of lenders to choose from. There are formal lending financial institutions as well as informal ones too. The ability to repay is the bottom-line in this practice. Finally, you will have a practice to fill in an actual loan application with Bank South Pacific Limited. A wise consumer will weigh out all aspects of borrowing money before he or she makes that important decision to borrow or not to borrow money either from established financial institutions or from the informal ones. This exercise will one way affect the quality of life one will live.







## STUDY GUIDE

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- Step 1:** Start with Topic 1, study Lesson 1 and do the Lesson Activities as you go along. When you have completed Lesson 1, do Practice Exercise 1.
- Step 2:** When you have completed Lesson 1 Activities and Practice Exercise 1, turn to the end of Topic 1 in the Unit Book to correct your answers. The answers for your Practice Exercises are at the end of the Topic while the answers for your Lesson Activities are at the end of the Unit Book.
- Step 3:** If you make any mistake, go back to the lesson and revise well and try to understand why you gave an incorrect answer.
- Step 4:** When you have completed steps 1-3, tick the box for Lesson 1 on the Contents' page (page 3) like this,
- Topic 1: A Wise and Responsible Consumer
- ☒ Lesson 1: The Wise Consumer
- Step 5:** Go to Lesson 2 and repeat the same process until you complete all the Lessons in Topic 1
- Step 6:** After completing your Lessons and Practice Exercises in each Topic, then complete each Topic Test in the Assessment Book 4.
- Step 7:** After you have studied the whole Unit, do also the Unit Examination in the Assessment Book 4.
- Step 8:** Check through your Assessment Book 4 when you are satisfied then send it to your provincial centre for marking. The provincial centre will advise you on how to apply for your external examinations.

### Icons

 <p>Introduction</p>	 <p>Target of the Lesson</p>	 <p>Lesson Activity Practice Exercise</p>	 <p>Summary</p>
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## Assessment

You will do four Topic Tests and a Unit Examination.

Your assessment book will be marked by your distance teacher. The marks you score will count towards your final mark and grade.

If your score is less than 50% in any assignment, you must repeat that assignment. If you continue to score less than 50% in your assignment three consecutive times, then, your enrolment will be cancelled, and you need to re-enroll if you wish to continue this Course.

## Study Schedule

Here is a Study Schedule. It will guide you on a weekly basis. The Study Schedule will help you to complete your Course Book and its Assessment.

WEEKS	TOPIC/ LESSON NUMBER	ASSESSMENT	COMMENTS
1-5	Topic 1 Lessons 1- 6	Topic 1 Test/15	
6	Topic 2 Lessons 7- 8	Topic 2 Test/15	
7-8	Topic 3 Lessons 9 -12	Topic 3 Test/15	
9-10	Topic 4 Lessons 13 -16	Topic 4 Test/15 Unit Examination/40	
10	Submit your Assignment 1 to your Provincial Centre for marking.		

**As you complete each lesson, tick the box on the contents' page. This helps you show what you have done and what you still have to do in each Topic.**

**All the Best**

## **TOPIC 1**

### **A WISE AND RESPONSIBLE CONSUMER**

## TOPIC 1: A Wise and Responsible Consumer

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Welcome to Topic 1- A Wise and Responsible Consumer. In this topic you will learn about making wise and responsible decisions as consumers of goods and services. You will also learn some important skills of managing goods and services by drawing up budgets. After studying this topic you will become a wise shopper. You will also be a wise waste disposer of waste created from the daily discarded rubbish and always be environmentally friendly. Finally, you will design an action plan for a positive consumer behaviour

### Lesson 1: The Wise Consumer

Involves making decisions in the use of goods and services to satisfy needs and wants, and consuming them in a responsible manner. You are able to make responsible commercial decisions in your finances, businesses, and employment, legal and physical environment too. Finally, acquiring knowledge, skills, attitudes and values as a wise consumer in this society.

### Lesson 2: Choosing Goods and Services

Involves buying wisely the goods and services available in the society. You will be able to make responsible decisions, when selecting goods and services and also know the rights and responsibilities of your choices.

### Lesson 3: Paying For Goods and Services

Involves recognising selling techniques by retailers and other businesses. You will also recognise persuasive language that is used to sell goods and services and the effect that advertising has on you as an individual.

### Lesson 4: Keeping Personal Records

Involves keeping accurate and up to date records of purchases, payments and receipts of purchases plus other important documents.

### Lesson 5: Consumer Rights and Responsibilities

Involves knowing one's rights and responsibilities as consumers. You will also assess your own life as a consumer and how you impact the environment and the quality of life that you live.

### Lesson 6: Consumer and the Environment

Involves defining the consumer and the environment, identifying wastes that result from manufactured goods, look at ways of protecting the environment from disposal of waste. Finally, identify and discuss other consumer related environment issues.

## Lesson 1: The Wise Consumer

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### Introduction:

Welcome to lesson 1- The Wise Consumer. In your previous lessons under the topic Production, you have learnt that production of goods and services takes place in order to satisfy peoples' needs and wants. In the modern world today people use money to buy these goods and services therefore one must be wise when consuming them. In this lesson, you will be given shopping hints or guidelines on how to make wise consumer decisions when purchasing goods and services.



### Your Aims:

- Define the wise consumer and discuss the good habits
- Identify and discuss the needs and wants of a consumer
- Identify and discuss factors affecting the consumption patterns

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### Who is a wise consumer?

A consumer is someone who purchases goods or services to satisfy his or her needs and wants. To be wise, means to be knowledgeable. Therefore, a wise consumer means a consumer who thinks before making a decision. He or she has the knowledge that helps him or her to make wise decisions.

All consumers make decisions all the time. These decisions are commercial decisions as they are related to the use of finance, dealings in businesses, legal implications of these decisions and the environmental impacts. Making wise decisions depend on being well prepared and well informed. A poor decision may result in financial difficulties and personal and family unhappiness.

Everyone has needs and wants and so must spend their time and money wisely in order to satisfy them. Consumers are constantly making choices when they buy goods and services.

In today's complex market place, filled with a vast range of goods and services, decision making can be complicated. As more choices become available, it becomes increasingly difficult for consumers to make wise decisions.

Some consumer decisions are simple because the amount of money they have is limited. On other occasions, consumers may be forced to make difficult choices, especially when businesses try to persuade them to buy their products using advertisements. Consumers need to consider these three main questions before deciding to buy something:

- *Do I really need it?*
- *Can I afford it?*
- *Is there something better?*

Most goods and services are available from more than one retailer. Often the same product costs vary between different stores. Shopping around to obtain the best deal is referred to as Comparison Shopping.

When making a major purchase, it is wise to compare the price, the quality and whether it is readily available. Knowing the cheapest price in the market place gives

the consumer a better bargaining position. If prices are almost the same in all stores, then buying at the most conveniently located store or the one that they are familiar with is probably a wise choice. If there is a lot of difference in the prices, the cheaper product may not always be the best buy because it may be of an inferior quality and will not last long compared to the expensive item.

To help consumers to make wise decisions, here are ten guidelines for shopping;

1. Think carefully about what you want
2. Shop around for the best deal.
3. Compare products in different shop
4. Compare product's features.
5. Ask friends and sales staff for advice.
6. Compare warranties and guarantees.
7. Do not sign a blank form or anything you do not understand.
8. Decide before hand how you want to pay - cash or credit.
9. Shop around for the best credit deal.
10. Keep all receipts and invoice.



### Activity 1.1 Read and answer the following questions

1. What is a consumer?

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2. Describe who a wise consumer is.

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3. What are the three main questions one must ask himself or herself before deciding to buy something?

(a) \_\_\_\_\_

(b) \_\_\_\_\_

(c) \_\_\_\_\_

4. Explain what comparison shopping is.

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In Commerce, food is referred to as a **Need**. We use the word needs to refer to those things which are essential for our survival. A need is an item which we must have in order to survive. We need both clothing and shelter to protect us from the elements - heat, cold, rain, snow, and wind. Without these basic needs we cannot survive for long.

## What is a want?

The word **want** refers to those things which we desire but which are not necessarily essential for survival. A want is an item which we would like to have but is not necessary for survival. For example, we may want such things as television sets, cars, ipods, sweets and toys but we do not need them for survival. Generally, people are not concerned with wants until their basic needs are satisfied.

We spend a lot of money on wants which we do not need to survive. Note that money is not a want but a need. Money enables us to satisfy our wants and needs by buying products. A product is something that is viewed as being able to satisfy a need or a want.

## Wants are unlimited

Everyone has wants. At a given point in time we all have a different number of wants. Wants are unlimited in the sense that when we satisfy one want, we can always think of something else that we would like to have. This is important in Commerce. Businesses would not be able to operate if they were not assured that we would keep wanting to buy their products.

## Associated or complementary wants.

Often once, when we buy an item we want to buy other related items that go with it. The other items might be necessary to make the main item function; they may boost performance, or add to appearance, comfort or safety. If we buy a television set, we are likely to want an aerial or a remote control. If we buy a bike, we will want a helmet. The wants that arise from buying the original item (the television or the bike) are called **Associated** or **Complementary** wants

Technology developments are leading to a whole new range of associated wants. There is not much use having a compact disc player without compact disks. Businesses have clever ways of making us think of associated wants.



### Activity 1.2: Read and answer the following questions

1. What is the difference between needs and wants?

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2. What is a complementary want?

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## Goods and Services

The products that we buy to satisfy our needs and wants are called Goods and Services. **Goods** are items which we can touch or hold and use. Examples of goods such as; biscuit, books, cars and shoes are goods. When we buy goods we own them.

**Services** are tasks that are performed for us by others. When we buy a service, we do not buy ownership of anything. The hairdresser, doctor and police officer provide service. The hairdresser cuts our hair, the doctor diagnoses our illness and the police officer enforces the laws. We get served but do not own the services.

### **Non - durable and durable goods**

Some of the goods that you buy can only be used once or a few times. They are **non- durable** goods. For example food, bread, tissue and soap. Goods that are designed to last for many uses are referred to as **durable** goods. They include for example, cars, bikes and washing machines.

### **Convenience goods and shopping goods**

**Convenience goods** are those goods which a customer buys often and quickly. These includes food and newspaper.

**Shopping goods** are goods that are bought after the customer compares the quality, price and style, of the products. Furniture and clothes are examples of shopping goods.

### **Individual and collective goods and services**

Some goods and services are designed to be used privately by an individual or perhaps a family; for example, the household telephone, mobile phones or the backyard swimming pool. They are called **Individual goods** and **services**

Some goods and service are designed for use by the public or community; for example, the public telephone boot, PMV service or cinemas. They are called **Collective** or **Community** goods and service.



### **Activity 1.3: Read and answer the following questions**

(1) What are Goods?

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(2) What are Services?

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(3) State the differences between durable goods and non - durable goods.

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**Factors affecting consumption**

Choosing the goods and service to satisfy your needs and wants is the most important choice consumers make. The choice consumers make is an important one and can be influenced by many factors. A decision will be affected by;

**1. Age**

Our wants change as we get older. Older people have different wants from young people.

**2. Income**

Our income affects what we want to buy. The bigger the income the more wants we can buy. The smaller the income the less wants we can buy.

**3. Obsolescence**

A good becomes obsolete if it is no longer wanted because it has been replaced by new goods or services. Changes in technology and design result in many goods and services becoming obsolete. For example, the sending of messages through letters is obsolete because of the introduction of mobile phones.

**4. Advertising**

Advertising is usually designed to make us want to buy a good or service. Successful advertising will influence what people want to buy.

**5. Technology**

Perhaps the most dramatic force that will shape peoples' wants in the millennium and beyond is technology. Scientists, engineers, and business people have found many new ways of producing goods and service. This has meant they have been able to produce many new goods and services. This has created a whole new range of wants. For example, in the past, very few homes had televisions and freezers. When your parents were children, they did not see a laptop computer or a mobile phone. These goods were recently introduced to us through the improvement in technology.

**Activity 1.4: Read and answer the following questions**

1. State five (5) factors that can influence your decision to buy goods and service

(a) \_\_\_\_\_ (b) \_\_\_\_\_

(c) \_\_\_\_\_ (d) \_\_\_\_\_

(e) \_\_\_\_\_

2. Income is one factor that affects our buying.

Explain in a short paragraph how income can affect our buying.

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**Summary:**

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You have come to the end of Lesson 1. You have learnt that

- A wise consumer is a person who thinks before buying or making decisions.
  - Every individual person has needs and wants.
  - Needs refer to those things which are essential for survival.
  - Wants refer to those things which we desire but are not necessarily essential for survival.
  - Everyone has unlimited wants.
  - Complementary wants are wants that arise from buying an original item.
  - Products are goods and services we buy to satisfy our needs and wants
  - Goods are items which we can touch or hold and use.
  - Services are tasks that are performed for us by others.
  - Durable Goods are goods that are designed to last for many uses.
  - Non - durable goods are goods that are designed to be used once or for a few times.
  - Convenience Goods are goods that a customer buys often and quickly.
  - Shopping goods are goods that are bought after the customer compares the quality, price, and style of competing products.
  - Individual Goods and Services are goods and services that are designed to be used privately by individuals or perhaps a family.
  - Community Goods and Services are goods and services that are designed for use by the public or the community.
- 

<b>NOW DO THE PRACTICE EXERCISE 1 ON THE NEXT PAGE</b>
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## Practise Exercise 1

1. Identify the following products and services into their respective categories by filling in the spaces.

Product	Need or Want	Good or Service	Durable or Non-Durable	Individual or Collective
PMV Bus				
Mobile phone				
House				
Labour				
Newspaper				

- 2.(a) What is a Complementary Good?

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- (b) Give two examples of a good and the want that arises from it.

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

3. (a) What is the difference between a Convenience good and a Shopping good?

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- (b) Give two examples of a convenience good and a shopping good

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4. (a) State the difference between the individual and community goods and services.

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- (b) Give two (2) examples of an individual and community goods and service from your local area

(i) \_\_\_\_\_ (ii) \_\_\_\_\_

(i) \_\_\_\_\_ (ii) \_\_\_\_\_

**CHECK YOUR WORK. ANSWERS ARE AT THE END OF TOPIC 1**



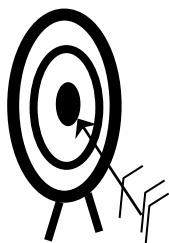
## Lesson 2: Choosing Goods and Services

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### Introduction

Welcome to lesson 2 - Choosing Goods and Services. In this topic, you will look at how wise consumers with limited income carefully choose their goods and services. Firstly, you will go through some of the basic steps involved in buying goods and services. Secondly you will define budget and identify its basic components.



### Your Aims:

- Discuss the importance of choosing goods and services carefully
- Define price, brand, quantity and quality
- Discuss Product and Service Quality and its importance to a consumer
- Identify and discuss the importance of other decision making approaches involved in the wise buying

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Wise consumers always make a priority list of goods and services that they consider to be needs then wants. Needs must be satisfied first in order of priority because they are important than wants. Wants, on the other hand, are not very necessary for our survival. We have already defined what needs and wants are in our previous lesson.

When you receive an income you will decide to use it to buy goods and services. Some of these groups will include goods and services which you regularly buy each week like foods and fares and those which you might only buy a few times a year.

Other specific purchases may include a compact disc player or a watch. Whether you are buying convenience goods (like food) or shopping goods (like compact disc), there are steps that you can take to ensure that you choose carefully. Below are some of these steps.

### Steps to follow when buying goods and services

#### 1. Identify the purpose

You need to buy goods which will suit the purpose for which they will be used. Sometimes the purpose will be so obvious that you won't need to spend time thinking about it. For example, if your mum sends you to buy milk for her to use in her coffee, you will not return with strawberry flavoured milk. On the other hand, if you are sent to buy bread you'll have to consider whether it needs to be sliced for sandwiches, thick sliced for toast or a bread stick for dinner.

#### 2. Find out about the product

If you are buying a good or a service which you do not buy regularly, find out as much as you can about the product. You can do this in two ways:

- (i) read the labels on the product
- (ii) Ask friends and other users of the product whether they are satisfied or dissatisfied with it and why. Ask the salesperson to explain the product's features.

### 3. Make a shopping list

This has two advantages. Firstly, you won't forget something important. Secondly, you are also more likely to resist *impulse buying*. Impulse buying means buying goods or services without any planning. You will not have budgeted for the item. In your previous lessons, you have learnt that sellers use many techniques to encourage us to buy on impulse. We need to guard against this.

### 4. Compare different brands

Compare different brands of the product. A brand is the product of one manufacturer. It is the name given to a product by the manufacturer. Puma and Nike manufacture shoes as one of their products. Streets and Pauls both make vanilla ice cream.

Comparing different brands of the product will enable you to buy the brand that suits you best. Your comparison will be on:

- Price refers to the cost of a good or service that shoppers must pay in order to get the product or use the service.
- Quality refers to how good a product is, or how well it has been made
- Quantity in the packet (e.g. 750 grams, 1 kilogram).
- Taste - if you know that you prefer one of the flavours, you have a positive reason for buying it.
- Ingredients - people are increasingly aware of the ingredient in packaged food. Manufacturers list nutritional information on the outside of packets. Labels like "no added sugar", "50 per cent less salt", and "No added salt" are also common.
- Appearance- the appearance of the product which appeals to you is very much a matter of individual taste and may be an important consideration.
- After-sales service. This refers to the service that the producer or seller of the product will provide after you have bought the product from them. Good after-sales service can be a very important reason for choosing one brand over another.
- Size/Capacity. The size of one brand might suit you better than the size of a competing brand. Check the relationship between size and prices

### 5. Compare price at different shops

Shops are entitled to set the prices for the goods and services which they sell. You will find that prices vary between shops. For instance, super markets like SVS pride themselves on charging low prices. For this reason many people like to shop at SVS Supermarket. Chain of stores like Stop N Shop and RH Hyper Mart charge more for many of their goods. Their customers are happy to pay the high prices as they like to shop in stores which have wide aisles, parcel pick - up, home delivery and other convenient features. You need to decide the price and service combination that is right for you.

### 6. Check date stamping

Many food items have a used by date or packed on date stamped on them. It is wise to check dates on all food products which you buy. You can then avoid disappointment and save time and effort in returning the product.



**Activity 2:1 Read and answer the following questions.**

1. State three ways in which one can ensure that you choose goods and services carefully.

(a) \_\_\_\_\_ (b) \_\_\_\_\_

(c) \_\_\_\_\_

2. What is meant by Impulsive Buying?

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3. Define Brand

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4. Differentiate Quality from Quantity

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5. What is After Sale Service?

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### Helpful product information on packaged foods

Helpful product information is found on the labels of many goods. This section looks at the information on food products.

#### 1. Weights and measures

All packaged products, packed and sold must display a statement of quantity (mass) and volume or a count of number of items in the packet. For example, a carton of milk might contain one litre. Moreover, a packet of biscuit might contain five pieces of biscuits. It is difficult to judge the quantity in packets just by looking at them.

Packaged products such as chips and cheese pops are allowed to have some *free space* in the packages, but the amount is restricted. You will have noticed that when you buy chips the bag is never full. This is because after the chips are packed they

settle, and do not take up as much space as they would at the time of packing. It is worth being aware of free space so that if you see a packet which seems to have more than the usual amount of free space you can avoid buying it, or report it to the consumer authorities,

## 2. Pure foods

All packaged foods must be labelled with names and addresses of the manufacturer, packer or vendour, and country of manufacture.

The name of the food and the ingredients are important from a *nutritional* point of view. The package label must list in descending order of mass with the ingredient that has been used in the food. A good example can be found on the noodles packets.

Consumers will often be interested in the manufacturers' details, perhaps because they want to buy Papua New Guinean made products or Australian made products, or perhaps they want to avoid products from a particular region. Health factors may cause people to suspect the product of a certain region. This caused many people from Papua New Guinea to be reluctant in buying meat products from Indonesia. For example, in 2004, health authorities in Indonesia discovered bird flu virus in most of the domesticated birds in their country.

## 3. Date stamping

All packaged foods sold in Papua New Guinea which will last for two years or less must be stamped with either a „use by“ or „packed on „ date. Always check these dates. If you know that you cannot use the product by the use by date, it is wise to find a substitute with a longer life or a small package of the same product.

## 4. Food additives

Check food additives on the labels. A food additive is a substance not usually eaten as a food. It is added to the food to improve its taste. Also with the labeling system which has been introduced to make shopping easier and less worrying for people with food allergies it provides a lot more information for people who take a serious interest in what they and their families eat. Under the labeling system, specific additives must be identified by name and number. The spelling out of long scientific names on the labels presents problem, so a numbering system has been devised



### Activity 2:2 Read and answer the following questions.

1. Why do all packed products display a statement of quantity or volume?

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2. Where can you find information on a packed product?

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3. What are food additives?

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4. Why is that some consumers are interested in the manufacture's details?

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5. Why must consumers check the date stamping when purchasing products?

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### **Budgeting**

Most people have many wants but do not earn enough money to buy goods and services to satisfy all of them. We need to decide or choose which goods and services we are going to buy with the money that we have available. Some of the goods and services will be relatively cheap and we will be able to buy them out of current income (the income that we have now)

Others will be expensive and we need to save money over a period of time before we can afford them. We save money when we spend less than we earn during a period. So, like a timetable, people need to draw up plans which show the amount of money that they will earn and the ways in which they will use it.

A **budget** is a plan of how much money people expect to earn and how they will use it. Learning how to budget is a very useful exercise for all consumers.

Budgeting enables you to satisfy the needs and wants that are most important to you. You can do by identifying your priority expenses and ensure that you allocate money to them before you satisfy other less important wants.

Budgeting can also help you to save towards your goal. If you really want to buy a good or service which you cannot afford at the moment, you can save some money out of each pay until you can afford the item.

People who do not budget well are not likely to satisfy their priorities. They are likely to waste money on goods and services which do not give them much long-term satisfaction.

### **Advantages of a Budget**

1. A person is in control of how the money is used.
2. Be able to make better decisions in the use of money.
3. Cover regular expenses.
4. Be able to provide for unexpected expenses that may catch you unprepared.
5. Avoid wasting money.
6. Avoid worrying about money problem.

See below and study how you can make a budget.

To draw up a budget you need to:

1. Work out the time frame for which the budget will apply (i.e. one week, two weeks, one month or one year).
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2. List all the ways (sources) that you will earn income from.

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3. List the expected spendings.

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Example of a budget

#### MARYJANN'S FORTNIGHTLY BUDGET

<b>SOURCE OF INCOME</b>	<b>(K)</b>
Salary	500.
• <b>Other Sources</b>	
Overtime	200.
<b>TOTAL INCOME</b>	<b>700.</b>
<b>EXPENSES</b>	<b>(K)</b>
Shopping	100.
Electricity	40.
Bus fare	50.
Tithes/Offering	50.
Rent	150.
School Fee Savings	100.
Entertainment	100.
<b><u>TOTAL EXPENSES</u></b>	<b><u>590.</u></b>
<b>INCOME - EXPENSES = SAVINGS ( K700 - K590. = K110.(savings)</b>	

In the budget shown above, the income is greater than the expenses. This means that some money (income) has been saved. Savings are important in any budget. **Savings** is the difference between the income and the expenses. They allow people to meet unexpected expenses. They also enable them to buy expensive items in the future, by putting away a little each pay period. You may have money when you do not earn enough next pay day. For example, MaryJann will not earn overtime every fortnight. Then her pay won't be enough to pay for her expenses. When drawing up a budget, you should always aim to save some money. Do not plan to spend all of your income.

The time frame for Maryjann's budget is two weeks (fortnightly). During that time she is expected to earn K700 and expect to spend K590. The difference between her income and expense is K110.00. She will have K110.00 to save.

Often in budgeting we call the ways of earning income the **Source** of income. Source of income simply refers to where the money comes from. Maryjann expects to have two sources of income - salary and overtime work done during the weeks.

The different ways of spending our money are referred to as our **expenses** or our **spending** of income. Maryjann's uses of income were shopping, electricity, bus fare, offering, rent, school fees, savings and entertainment.



**Activity 2.3: Read and answer the following questions accordingly.**

1. Define what a budget is in a short paragraph?

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2. State two (2) advantages of budgeting?

(a). \_\_\_\_\_

(b). \_\_\_\_\_

3. What is an expense?

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4. What is savings?

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## Summary

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You have come to the end of Lesson 2. You have learnt that

- When buying goods and services, there are steps that you can take to ensure that you choose carefully.
- The Shopping List is a list of items (goods and services) which you plan to buy. A Shopping list avoids Impulse buying
- Impulse Buying means buying of goods and services without planning.
- Price refers to the cost of goods and services that shoppers must pay in order to get the product or use the service.
- Quality refers to how good a product is, or how well it has been made.
- After-Sale Service refers to the attention that the producer or seller of the product will provide repair and maintenance after you have bought the product.
- Helpful product information is usually found on the labels of the food product.
- Food additive is a substance not usually eaten as a food but it is added to the food to improve its taste.
- Budget is a plan of how much money people expect to earn and how they will use it.
- Savings equals income less expense (spending). Savings is part of the income which is not spent. What is not used or spent from the income is saved.
- Expenses represent the use of income.
- The source of income refers to where the money comes from

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<b>NOW DO THE PRACTICE EXERCISE 2 ON THE NEXT PAGE</b>
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### Practice Exercise 2

(1) Draw up a fortnightly budget for the Adam's family using the information provided.

Mr. Adam's fortnightly income is K1, 000. plus consultation work K500.

His expenditure will be: rent, K200.00, groceries K250.00, electricity K50.00, entertainment K200, petrol K80, car service K100, school fee savings K100, lunch money K200, Clothing K200

(2) Calculate how much will Mr. Adam will save as his savings.

**NOW CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 1**



## Lesson 3: Paying for Goods and Services

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### Introduction:

Welcome to Lesson 3, in Lesson 2 you learnt about choosing goods and services carefully. A wise buyer will only pay for the goods that are needed and chosen from the best brands that are of good quality only known to the buyer. The choices, qualities of the brands, in a location of purchase are also known to the buyer. This lesson is on paying for the goods and services that are chosen by the consumer. You will learn the importance of making decisions when making payments and also other alternatives of paying for goods and services too.



### Your Aims:

- Define money and explain its importance in making payments
- Identify and discuss other ways of payments for goods and services

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### What is Money?

Firstly, let us define the word 'Money'. Money is anything acceptable in exchange for goods and services in the community. It is what you and I use to pay for the goods and services. Retailers and service providers are willing to accept money as payment for goods and service.

In subsistence living, goods and services were exchanged for goods or services. The most important thing about money is that most people are willing to accept it in exchange for goods and services. Today or in modern trade, buying and selling of goods and services is based on the use of money.



Money: used for paying goods and services

Money is used in exchanges, measures the value of goods and services, can be saved and used later, forms the basis of records and can be kept and finally lent to others to earn interest. So you see, money plays an important role in your life and your community too. You use money every day in many aspects of your life - as an individual, family member and the community at large.

### Wise consumers

As a consumer you make important decisions in your life daily. Some decisions can be related to the use of money, business deals and many other aspects of life. Before you make any decision as a consumer you must be well informed of the many issues affecting your society. Poor decisions can be made when consumers are not well informed. These poor decisions may lead to money difficulties and personal or

family problems. Being a wise consumer means you must make a priority list of goods and services before you go to retailers and you know exactly what items to pick. This is a daily routine activity for many, which means that cash or credit has to be used to pay for these goods and services.



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**Activity 3.1 Answer the questions below.**

(a) Who are wise consumers?

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(b) State three characteristics that wise consumers possess.

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**Cash payments**

The word “cash” is used to refer to what most people are willing to accept in exchange for goods and services. It is made up of notes and coins (Kina and Toea). Kina and Toea are the legal tender of Papua New Guinea. When you pay cash for goods and services you have outright ownership of the goods. You own and possess the goods immediately. You owe nothing in this exchange process and the exchange process concludes instantly. For example, every time you pay notes and coins for a Flex card, you are paying cash. Apart from paying cash for goods and services there are other methods of paying too.

**Methods of Cash Buying**

Products can be bought with cash or on credit. Some retailers allow their customers to buy goods and services on credit. Credit means you get the goods now and pay later, or until you complete the total payment. Today there are a number of ways available that one can pay for his goods and services. They are;

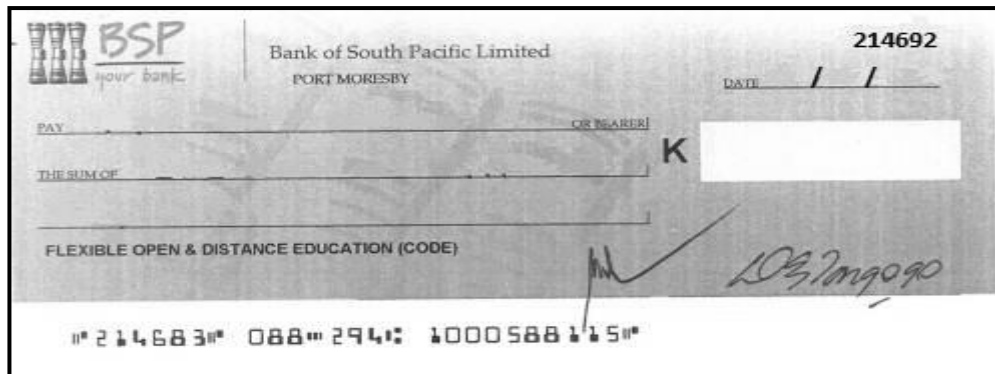
**(1) Cheque – personal / bank**

All commercial banks in Papua New Guinea such as Bank South Pacific, Westpac and Australia New Zealand Bank are licensed financial institutions who offer cheque systems of making payments. Businesses mainly use cheques to make payments for their goods and services without using notes and coins. A person who has a cheque account with a commercial bank can buy goods and services using the cheque. A cheque is a method of cash buying but it is not legal tender. The store or owner can refuse or reject the cheque if they do not trust the person who writes the cheque.

However, using a cheque is a convenient method of paying without carrying a large sum of cash. Many businesses operate cheque accounts with commercial banks. They also provide other methods of making payments like; leasing, hire purchase and credit / debit card transactions. Individuals may choose to operate a personal cheque account which funds can be accessed to pay for their needs and wants. This personal cheque account can be maintained by having one's salary paid into or make



normal deposits every now and then when money becomes available. A cheque leaf can be filled to pay for goods and services after each transaction or one can obtain a bank card that caters for both savings and cheque transactions. If you wish to use your personal cheque account to obtain goods and services you must make prior arrangement with the goods or service providers. Bank cheques can be obtained at the bank counter when or you are required to pay for an item using a bank cheque



Sample Cheque

## (2) Lay – by

Lay by is one way in which you can pay for goods and services. As a consumer you may see an item which you may want to buy but do not have enough cash on hand to buy it outright. You ask the retailer or owner to make a part payment for the item. The shop assistant or owner will have it set aside so no one else can buy that particular item. Even though you do not take away the item, you know that the item is kept safely until you make the final payment on the agreed time. The time agreed is usually a short period for example, a week or fortnight.

## (3) Hire purchase

Hire purchase is another method of buying goods and services on credit or you get the item now and pay for it later. You as a buyer pay a deposit on the item and complete the payment in instalments until all payments are completely paid off. An instalment is a part payment of the total you owe over a period of time. Finance companies and commercial banks can arrange hire purchase. Items such as motor vehicles, television sets, sewing machines and many other expensive items can be purchased.

Hire purchase involves three parties, the customer, the dealer and the financier. The customer takes full possession of the item as soon as the final agreement is signed and an initial deposit is paid. The financier will pay the item from the dealer and release it to the customer to use. However, the financier remains the owner until all outstanding payments are completed over the agreed period. If the customer fails to make the agreed payments or instalment 'the good will be **repossessed**. A minimum deposit of 25% to 30% is usually required on the type of arrangement and the financier will pay off the remaining cost.

Most financiers allow their customers a period of either twelve (12) eighteen,(18) or twenty four (24) months to complete their instalments. Interest on hire purchase is usually set as a flat rate. For example, Thomas buys an ice maker from Brian Bell on

hire purchase for K10,000. He pays a 25% deposit, which is K2500. Repayments are then made over twelve months.

<b>Calculation of payments</b>	<b>(K)</b>
Cash purchase price	10 000
Stamp Duty (K10,000 X 4/100)	400 10 400
Less deposit (+ stamp duty) K2500 + K400	- 2 900 = 7 500
Interest at 18% p.a flat rate (x12 months)	+ 1 350
Total amount payable	<u>8 850</u>
Monthly instalments K8850/12	737.50



### Activity 3.2 Read and answer the questions below.

- (a) “Kina and Toea are the legal tender in Papua New Guinea” Explain this sentence.

### Internet Transactions

This is the latest method of paying for goods and services. Internet service providers are located in every country to provide internet services. Businesses and individuals must pay a fee to link up with the global networks of companies. A monthly fee is charged to the businesses and individuals.



An internet website for buying

A lot of businesses are selling goods and services on the internet. You have to go online to buy the goods. For example, you can reserve or book a seat in an Air Niugini plane by going to their website. A website has a number of related pages and gives information on a company, institution and an individual. A customer must have a valid and active credit/debit and visa card to pay for goods and services online. The credit/debit and visa card is important as the good or service provider will use it to collect payment from the commercial bank or financial institution. These services are fast becoming popular in Papua New Guinea.

### (4) Use of Electronic Fund Transfer at Point of Sales ( EFTPOS)

The use of Electronic Fund Transfer at Point of Sale (EFTPOS) is widely used in the urban areas especially by working people as well as rural dwellers who have bank

accounts. You simply go to a shop, collect items needed from the shopping list and while checking out, present your bank card to be swapped and debited the total amount of your shopping which will be registered electronically at your bank. You can access cash after an EFTPOS transaction too or you simply go to an Automatic Telling Machine (ATM) and get cash for your other needs.

### **(5) Debit Card**

Debit cards are easy to use and carry. Fees are minimal and easy to cancel a debit card if it is lost or stolen while you're travelling whilst keeping your money safe.

#### **What's a Debit Card?**

A debit card differs from a credit card in that a debit card is tied directly to your bank account and the amount of money you can spend with it is limited to the amount of money you have in the bank.

#### **How Does a Debit Card Work?**

When you use a debit card, the transaction debits (withdraws) the amount of the transaction from your checking account, usually on the same day. You can use a debit card to get cash from an ATM machine or have it swiped like a credit card at shops or restaurants or swipe it through a pay phone to make a call.



#### **Activity 3.3: Read and answer the question below.**

Electronic Fund Transfer at Point of Sales (EFTPOS) is a free service that businesses provide on behalf of the commercial banks. True or False. Explain your answer.

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### **(6) Credit card**

#### **What is a Credit Card?**

A credit card is issued by a credit card provider like; Bank South Pacific Limited, Westpac Bank and Australia and New Zealand Banking Group. They are designed to pay for things (EFTPOS) in shops and online too. You can use the card for money transfers and taking out cash from the Automatic Telling Machines (ATMS).

You can use your credit card anywhere in the world so long as it is accepted there. Most cards are acceptable and very handy worldwide.

It is advisable though to check your bank before leaving because you may have to know and understand the card usage agreement especially when overseas. When you get a credit card you will be given a credit limit. This is the total you have available to spend using the card. You should always have cash available otherwise you will be charged interest for maintaining such an account by your bank.

The details of all the transactions will be shown on your statement with;

- (i) The minimum you must pay
- (ii) The date by which your bank must receive your minimum payment.

If you do not pay off your balance, in full each month, you will be charged interest on the outstanding balance.

### How is a debit card different from a credit card?

A debit card works using money you have in your bank account. So when you spend using a debit card it comes straight out of your bank account.

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### Summary:

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You have come to the end of Lesson 3. You have learnt that

- Consumers have tough decisions to make every day.
- Consumers face challenges in buying wisely for their needs and wants.
- There are different ways to pay for goods and services.
- Direct buying is the main method of cash buying.
- Lay - by involves making a part payment in cash. The good can be taken away after the full payment is completed.
- Hire Purchase is a form of credit buying. It involves a **financier**, who buys the item, from the **dealer** for the **customer**. The customer makes a deposit and collects the good and uses it while paying for it in instalments until the final payment is done.
- Buying and selling on the internet is a fairly new concept in Papua New Guinea but is fast becoming popular amongst its citizens.
- Kina and Toea (notes / coins) are the legal tender in Papua New Guinea.
- Wise consumers always make good decisions.
- Consumer education is every ones responsibility.
- A debit card works using money you have in your bank account
- A credit card works using money which is yet to be earned and paid into your bank account.

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<b>NOW DO THE PRACTICE EXERCISE 3 ON THE NEXT PAGE</b>
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### Practice Exercise 3

(1) Define the following words

(a) a Consumer

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(b) a Good

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(c) a Need

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(d) a Want

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(2) The initials ATM stand for\_\_\_\_\_.

(3) What is the difference between a commercial bank and a finance company?

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(4) A finance company collects deposits just like commercial banks. True or False.

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(5) Kina and Toea are the legal tender of Papua New Guinea. Explain this statement.

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<b>NOW CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 1</b>
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## Lesson 4: Keeping Personal Records

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### Introduction

Welcome to lesson 4, in Lesson 3 you learnt about paying for goods and services carefully because a wise buyer will only pay for the goods and services that are needed. The choice is left entirely to the consumer to decide looking at the; quality and quantity of goods, prices, and brands.



### Your Aims:

- Identify personal records and their importance
- Discuss the importance of keeping accurate and up to date records

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Everyday consumers make decisions on making payments on their needs and wants with their hard earned cash, which they have to spend on their basic and essential items. We also looked at the different ways of making payments for the goods and services one uses daily. Money is limited but the things that you and I want are endless.

This lesson is on keeping personal records. Records are important because they contain useful information which may be needed sometime later as a proof or evidence of payment for goods and services. There are a number of important personal records which must be kept in safe places where insects, unauthorized persons and fire cannot have access to or destroy easily. There are many personal records but you will go through the main ones. You will start from a very basic record;

### (1) Shopping list

A shopping list is a useful record that a wise buyer creates before going shopping. On this list he or she indicates the things that are needed to be purchased from the shops. This list is done after the family or individual home has been checked and decided on what items as needed and where to get them. A wise buyer will state which items are needs and which ones are wants. This shopping list will help by keeping one focused, resist impulse shopping and clearly know what must be purchased and have a rough estimation of the total cost. If there is extra money needed for the total payments then this list will highlight it. The customer may have to leave out all non- essential items on his list.

### (2) Receipts & Invoices (school fee, purchase, easi pay, water, deposit etc)

Many goods and service providers will issue you with a receipt showing that a payment has been done by a consumer. This receipt will provide useful information such as, how much money was paid, name of the good, and may even be useful for after sales service for an expensive item. Sellers will require you to present a receipt as evidence for an expensive item on guarantee or warranty before any repairs, replacement or refund is made. A normal receipt will show the following;

- The amount paid
- Reason for payment
- The date of the purchase
- Signature of the person receiving the money or affix the official stamp



You may notice that receipts vary in their content. Some receipts have such information as total paid, date of transaction, name of the business and GST, even for some like the shop or supermarkets name of the cash register operators.

### (3) Quotation

After an enquiry is made, customer will receive a quotation. A quotation is a list of good(s) and prices which a supplier issues when a customer enquires. It contains the time period when these prices will be valid before they change plus;

- Description of the good(s)
- The price of the good (s)
- Any discount or terms of payment (i.e. when payment will be paid)



#### **Activity 4.1 Read and do the following exercises**

- (1) Explain in a short paragraph how a shopping list would help a consumer

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- (2) List three (3) reasons for retaining a receipt.

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### (4) Pricelist

A pricelist is similar to a quotation and contains a list of goods for sale with the prices written beside them. Suppliers usually send a catalogue prices for each good showing features of the goods on sale. When prices change there is no need for a new catalogue, they only change the pricelist. Sometimes goods listed in a quotation or pricelist are given numbers for identification purposes and this helps avoid mistakes when ordering because sometimes wholesalers may stock up a large stock and some goods are similar. So by numbering each item it reduces the mistakes of sending the wrong goods.

### (5) Birth & Death Certificate

When a person is born the birth is registered in the hospitals Birth Registry Book. It gives details such as parent's names, weight, its home- village or province, date of birth and the hospital name. Following its registration the parents are issued with a birth certificate and a clinic book and this information is passed on to the Community Development Department to have it registered. When a person dies a death certificate is issued to register the death and their remains are released to the families and relatives. Without a death certificate you cannot repatriate human remains, so these two documents are important to register a birth or a death.

### (6) School certificates (grades 10/12 certificates,)

School certificates are important documents because they contain information such as marks acquired, grades completed and the educational qualifications belong to an individual. The information in this document will be needed when a person is

pursuing further studies within Papua New Guinea, overseas, hunting for a job and other civil matters. A number of certificates may indicate that the person is well educated and qualified to take up certain jobs. Salaries and wages will be paid according to what grades have been completed and skills gained.

### **(7) References (testimonials, reference)**

These are documents that support an individual especially when they want to secure jobs in the job markets. Schools Principals and Subject Heads usually write references in support of students or staff wanting to obtain jobs. They write about their work attitudes, skills possessed, and any other goodwill. A goodwill information will enable individuals to get good jobs. Individuals must personally keep these documents in safe places.

### **(8) Passport**

A passport is another important document especially when travelling to other countries. It contains personal information of self, families, your health status, origin of place (province/country) date of birth, parents details and other special features. As a citizen one must hold a valid passport, otherwise the law will not protect you especially when you are in another country.

### **(9) Others**

Records such as drivers license, car registration papers and many more are all important personal records and must be looked after by the owners. Persons concerned with the usage will need to present them at different times when their needs arise. Some identification cards like the NASFUND card will earn you discounts at Brian Bell, Air Niugini, Courts and other businesses.



#### **Activity 4.2 Read and answer the following questions.**

1. Write the most important document for you. Explain how and why it is so important.

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2. Educational qualifications are very important documents. State two (2) ways they can be used.

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3. When is a passport used and why?

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**Summary:**

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You have come to the end of Lesson 4. You have learnt that;

Personal records include;

- Shopping list, receipt & invoice quotation, pricelist, birth & death certificate, school (grade 10/12) certificate and many more.
  - References (testimonials, reference) Passport plus many more must be kept in a safe, protected and clean place clear from any unauthorised persons, thieves, insects and the weather too.
  - Records such as receipts and guarantees can save one money especially after sales requirements.
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<b>NOW DO THE PRACTICE EXERCISE 4 ON THE NEXT PAGE</b>
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### Practice Exercise 4

1. How do the following documents help an individual?

(a) Birth certificate

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(b) Bank deposit receipt

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(c) Pricelist

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(d) Marriage certificate

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2. Where would one report a stolen bank card?

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3. Explain impulse buying.

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4. List four (4) important documents for you

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5. List three (3) reasons for retaining a receipt.

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**NOW CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC1**



## Lesson 5: Consumer Rights and Responsibilities



### Introduction:

Welcome to lesson 5, let's us recap on our last lesson. In lesson 4 you learnt about personal records, you were able to identify records that are important to you for many reasons. Some of these records are valuable for shorter terms, others for longer periods, and a few for the rest of your life. So, each of these records have their important use and place in the life of any individual. Lesson 5 is about Consumer Rights and Responsibilities.



### Your Aims:

- Define consumer Rights and Responsibilities and their importance
- Identify and discuss basic consumer Rights and Responsibilities
- Discuss consumer protection
- Identify the organisations that assist consumer

### Consumer rights

As consumers you and I have certain rights. In order to exercise these rights we must know them. A right is something you are entitled to. You and I must be protected as the consumer society becomes complex. These rights become necessary in order for you to be protected from wrong doings of manufactured sellers too. One must practice these rights as a consumer.

As a consumer you have the right to;

- Basic needs (shelter, food, and clothing)
- Safety
- Be heard
- Choice
- Be informed
- Healthy environment and
- Consumer education.



### Activity 5.1 Read and answer the following question.

(1) You as a Grade 9 FODE student have needs too. List ten (10) items of needs in order of priority in the spaces provided.

Number	Goods	Services	Number	Goods	Services
1			6		
2			7		
3			8		
4			9		
5			10		

### Consumer Responsibilities

A responsibility is something that you and I have to fulfill or do. They expect us as consumers to be more careful in our actions and choices. They can be called

obligations too. When you and I exercise these responsibilities, we as consumers become responsible members in society. Consumer responsibilities include;

- Awareness on rights and responsibilities of consumers and its importance to the general public.
- Action if one lives by example, others will most likely to follow.
- Social concern today involves everyone in the communities in the way they live, goods they consume, how much money they spend and whom they associate with but more over the people's general lifestyle each day
- Environment awareness has to do with how people get rid of their rubbish, the care for the parks and gardens, how they dispose their waste Working together is the way forward for everyone on this planet. Industrialised countries should take the lead and address some of the concerns with the less developed countries who are hit hard by the amount of waste and pollution created by their activities.

There is a huge need to educate consumers in their rights and responsibilities. You and I need to be educated on the basic rights and responsibilities. You as a consumer has the right to buy products which are safe. As a consumer you have the responsibility to ensure that products are being used safely.

For these you need to follow some basic steps, such as;

- Buy products which are suitable to use
- Respond to product safety or recall notices
- Read and follow instructions carefully
- Ask the supplier if the product meets the required international safety standards
- Use appropriate protective equipment or clothing
- Consider the environment the product is being used in the possible effect it could have on people
- Check the on-going condition of the product and
- Take immediate action on safety problems with the supplier or agencies



Choose your goods and services wisely and carefully.

### General Shopping Hints

The table below provides some useful hints on shopping. Some of these hints represent consumer rights while others are consumer responsibilities. A wise consumer must always ensure that these rights and responsibilities are followed.

<ol style="list-style-type: none"> <li>1. Always decide on what you want to buy before shopping.</li> <li>2. Make a shopping list if more than one item is to be purchased.</li> <li>3. Make a personal budget for your income.</li> <li>4. Check quality of material and try out items before paying cash.</li> <li>5. Read all labels of goods carefully before buying.</li> <li>6. Do not buy on impulse. Go by your shopping list.</li> <li>7. Compare quality and prices before buying.</li> <li>8. Go for the cheapest but quality goods.</li> <li>9. Get electrical and mechanical goods tested out before buying.</li> <li>10. Do not be deceived by the packaging of a product. Read the label to see the quantity contained inside.</li> </ol>	<ol style="list-style-type: none"> <li>11. Compare net weights and prices of all packaged goods.</li> <li>12. Add the total of your purchases and check it against what the shop keeper charges.</li> <li>13. Ensure that you get your correct change.</li> <li>14. Make sure that the items that have to be weighed must be done properly.</li> <li>15. Be sure that the seller can replace parts or repair expensive items like television sets. This is covered in a warranty.</li> <li>16. Get a receipt and guarantee or warranty from the seller where possible.</li> <li>17. If an item is faulty, return it promptly. If the seller refuses to replace it then seek assistance from ICC.</li> </ol>
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### **What should consumers look for to promote safety?**

#### **(1) Look at the label**

As a wise consumer read the label of the product you intend to buy. These labels contain vital information for you such as; the amount, purpose, what it contains, its weight, and also how it is used. These safety standards information are important because by reading the labels you will be able to pick up dangerous products too. Manufacturers usually display warnings on the misuse or mishandling of products on their labels.

#### **(2) Look out for others**

Consumers who use dangerous and harmful products must learn from others using such products. For example, cigarette manufacturers display a warning on all cigarette packages. It reads: "Health Warning Cigarette Smoking is Dangerous to Your Health." However, despite these warnings they continue to disregard these warnings. Wise consumers care about their wellbeing and know how these warnings can destroy people if people disregard these warnings. You know, being considerate is an important virtue. You can develop and practise in their own societies. You as a consumer must be alert and help others who are struggling. Papua New Guinea as you and I know, have approximately 80% illiterate population. They cannot read the labels on products. Therefore, as wise consumers we always try to help other consumers in making the right choices. All consumers should unite to contribute to a healthy and respectful consumer environment.

#### **(3) Look after the Product**

As you will see most products come with certain product safety instructions. Product care is an important part of being a responsible and wise consumer. When consumers take care of products such as bicycles, cars, and out board motors. They will last longer. You will save money on unnecessary repair and maintenance costs. They will also help prevent accidents from happening. Regular and proper



maintenance and care for products is important. Sometimes faulty or bad products can harm the user as well as other people. A motor vehicle is a good example, when it lacks the care and proper maintenance then it can break down or cause accidents.



**Activity 5.2 Read and answer the following question.**

1. List five (5) pieces of information a customer can get when they read the label of a product.

(a) \_\_\_\_\_ (b) \_\_\_\_\_

(c) \_\_\_\_\_ (d) \_\_\_\_\_

(e) \_\_\_\_\_ (f) \_\_\_\_\_

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**(4) Look into problems**

Sometimes manufacturers recall their products through public notices. This does happen when customers report many faulty goods. As a consumer one must pay attention to such notices because failure to respond to such will lead to more problems for consumers. Most times product recalls are necessary for health reasons. You as a consumer must take the responsibility to talk to the retailers. Safety concerns are important and you must bring them to the attention of manufacturers and retailers. Sometimes you can get a full refund on a product which has been found to be faulty.

If a product causes some injury to the consumers or other people than this must be reported to the suppliers and retailers, even potential problems must be reported. The manufacturer and supplier will be happy for such feedback.

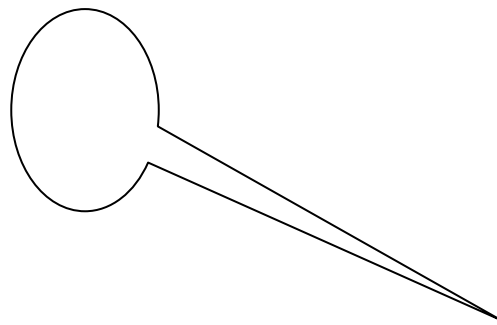
**(5) Role of the consumers**

You and I as consumers can do very little to protect ourselves from false advertising, inferior goods, bad products, or wrong items. Because of this, the government has passed laws to protect consumers. The Goods Act is the main law which protects consumers. It clearly lays down roles and responsibilities of retailers, wholesalers, and even street sellers. There are other laws that protect the consumer from particular types of activities such as hire purchase and lay buy transactions. Consumers should first of all approach the retailer where the faulty or unacceptable good was purchased and ask for a replacement.



**Activity 5.3 Read and answer the following question.**

1. Cut out and paste a picture of a product with a warning statement. Make a comment on it stating if people are reading and following it.



Paste here

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**Summary:**

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You have come to the end of Lesson 5. You have learnt that

- Wise consumers always make good decisions. They always use goods/services in a responsible way to satisfy their needs and wants.
- Wise consumers make important decisions involving Finance, Legal, and Environment aspects.
- Consumer's education helps acquire knowledge, skills, and attitudes to live a comfortable life in a consumer society.
- Consumers have certain rights and responsibilities. It is important for all consumers to know what these rights and responsibilities are.
- The consumers' role includes the need to know how they can be protected as consumers. It is also their role to understand and know their basic rights and responsibilities.
- Consumers are also required to know which Government Organisations exist to assist consumer queries.
- Consumers have a duty to understand the roles/functions of these government organisations and agencies such as ICCC.
- Wise consumers make wise decisions about their own consumption habits, because their actions affect their health and the environment.
- Protecting the environment can begin with consumers in various ways such as; disposing or re-cycling rubbish in the correct place.

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<b>NOW DO THE PRACTICE EXERCISE 5 ON THE NEXT PAGE</b>
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### Practice Exercise 5

1. Explain Consumer Rights in your own words.

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2. List two (2) Consumer Rights that you know.

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3. Explain how as a consumer you would care for the environment.

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4. State the steps that one can take if they are not happy with a good or service.

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**NOW CHECK YOUR WORK. ANSWERS AT THE END OF TOPIC 1**



## Lesson 6: Consumer and the Environment



### Introduction:

In lesson 5, you learnt about the rights and responsibilities of the consumer. You learnt that consumers have certain rights that the government and other organisations try to protect. You also learned that consumers have to be more careful in their actions and choices to become responsible consumers of the society. In this lesson, you will learn about the consumer and the environment. You will firstly define The Green Consumer and its importance. You will also identify the wastes that result from manufactured goods and discuss the impacts of the waste on the environment and the people. You will furthermore identify and discuss other consumer related environmental issues.



### Your Aims:

- Define The Green Consumer and the importance
- Identify the wastes that result from the manufactured goods
- Discuss the impact of the wastes on the environment from disposal wastes
- Identify and discuss other issues relating to the consumer and the environment.

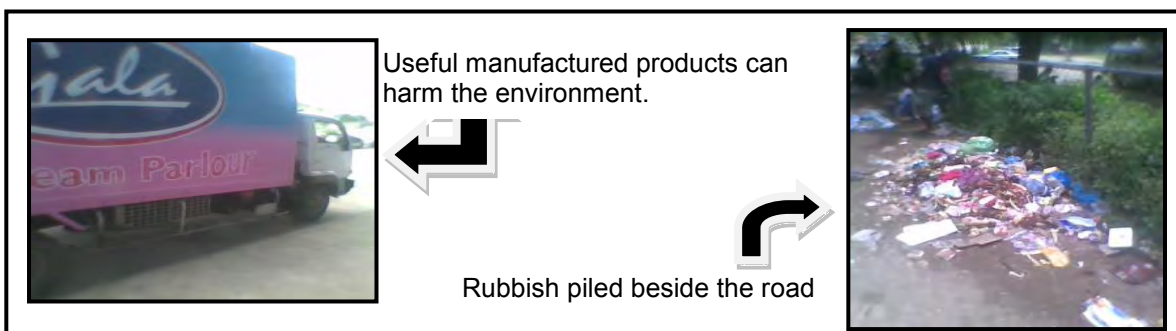
### The Green Consumer

A green consumer is someone who is very concerned about the environment and therefore only purchases products that are environmentally-friendly or eco-friendly. Eco-friendly products do not harm the environment when used. Products with little or no packaging, products from natural ingredients and products that are made without causing pollution are all examples of eco-friendly products.

The green consumer protects the environment by aiming to **reduce** consumption, **recycle** waste and **reuse** products. These are known as the three Rs of waste management.

### Waste from Manufactured Goods

Some products satisfy the needs and wants of consumers but affect the quality of our environment. Goods such as body sprays and motor vehicles contribute a lot to air pollution. This leads to more problems such as the increasing greenhouse effect. Global warming is a direct effect of the increase in the green house gases such as carbon monoxide contributed by motor vehicles, factories, and ships. When people inhale polluted air, they are likely to develop health problems such as lung cancer.



Packages of consumer goods can cause littering if they are not disposed properly. Littering is a very big problem in the country. Even in the villages, there is a lot of littering as a result of people throwing away used packages, plastics, and containers without properly disposing them off.

Littering makes our environment untidy and can cause health problems. Littering empty containers can become the breeding ground for mosquitoes that carry the malaria parasite. This can cause the spreading of malaria and fever.

Some people think that littering is an attitude problem while others think people are not educated enough. Whatever the cause may be, littering is harmful to the environment.



### Activity 6.1 Read and do the following exercises

1. Name three (3) environmentally friendly products.

- (a) \_\_\_\_\_  
(b) \_\_\_\_\_  
(c) \_\_\_\_\_

2. What are the three ways you could manage waste?

- (a) \_\_\_\_\_  
(b) \_\_\_\_\_  
(c) \_\_\_\_\_

3. From the list of manufactured products below, identify two (2) products that can be;

- (a) recycled (i) \_\_\_\_\_  
(ii) \_\_\_\_\_  
(b) reused (i) \_\_\_\_\_  
(ii) \_\_\_\_\_

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Choose from the list below to answer the questions above.

- biscuit packet
  - Soft drink can
  - piece of cake
  - vehicles
  - plastic bags
  - clothes
  - 2 litre cordial container
-

## Positive Environmental Decisions

As a consumer, you have a responsibility towards protecting the environment. You have the power of choice to choose environment friendly products to buy and to decide how our customers' behavior can help our environment.

We must choose products that will have a low impact on the environment. Responsible consumptions start with you and I. Some of the things we can do to help the environment are;

- Buy products that are environmentally friendly
- Buy products where you can take your container and have it filled
- Use a bilum or cloth bag to go shopping rather than accepting plastic bags
- Refuse to buy things which have excessive packaging
- Put pressure on government to regulate packaging
- Leave rubbish in the rubbish bins
- Take your own rubbish if there is no rubbish bin
- Support organisations that promote a litter - free environment



### Activity 6.2: Answer the following questions.

Briefly explain how the following waste would harm the environment?

(a) Empty cans

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(b) Smoke from factories

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(c) Spillage of chemicals into rivers from factories and mines

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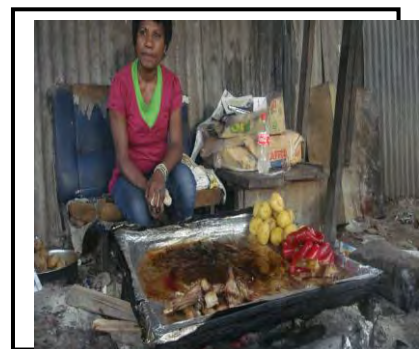
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## Other consumer Related Environmental Issues

### Healthy Living

Some consumer items such as food can cause serious health problems. Food that is not prepared properly can cause health problems.

Similarly, too much fatty food can lead to overweight and heart diseases. In PNG there are a lot of overweight people as a result of high consumption of fatty food such as lamb flaps. Many people become ill with typhoid and diarrhoea as a result of consuming food prepared in an unhygienic manner. As consumers, it is our responsibility to consume healthy food.



Lamb flaps in open market



We must check out the ingredients as well as the way food has been prepared before buying it. This is particularly true for cooked food sold in open markets.

Some unhygienic habits such as chewing betel nut and spitting in public places also need to be controlled. Betel nut spit that are disposed off in the wrong places make our towns, cities and villages look very untidy. Betel nut spittle can also help spread TB, the second highest killer in PNG. Responsible betel nut chewers make sure that betel nut spittle are always disposed off in the right places.



A woman chewing betel nut

### Effects in the Economy

Apart from the greenhouse effect, pollution of the environment also leads to poor agriculture production. This leads to low levels of productivity for the country and low standards of living. Polluting the water resources can also lead to serious problems for all human beings. As drinking water becomes contaminated, human lives are at risk. Important marine resources like fish also get contaminated. Since effects of pollution are many, and for some life threatening, you and I must be wise enough to avoid actions that cause pollution.



### Activity 6.3 Read and do the following exercises.

1. Name two (2) other areas where consumption of certain products can affect ones life, apart from the environment.

(a) \_\_\_\_\_

(b) \_\_\_\_\_

2. Name three (3) products that can bring health problems to human beings.

(a) \_\_\_\_\_

(b) \_\_\_\_\_

(c) \_\_\_\_\_

3. Explain how the consumption of certain goods would affect the economy of the nation.

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**Summary:**

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You have come to the end of Lesson 6. You have learnt that:

The Green consumer is someone who is very concerned about the environment and only buys goods that are environmentally friendly.

- Three ways of managing waste is by reducing consumption, reusing products and recycling waste
  - Some products satisfy the needs and wants of consumers but affects the environment and peoples lives when consumed.
  - Global warming is a direct effect of air pollution caused by waste gases from motor vehicles, factories, ships etc.
  - Inhaling polluted air also causes health problems to the human body, such as lung cancer.
  - Consumption of certain consumer items also causes health problems such as diabetes by fatty food and spread of TB by betel nut spittle. Littering is caused by irresponsible disposal of packages from used consumer goods
  - It is the responsibility of the consumer to buy products that will have low impact on the environment
  - Environmental pollution also leads to poor agriculture production and contaminates important marine resources which results in low level of productivity for the country.
  - Responsible consumption begins with each one of us as consumers.
- 

<b>NOW DO PRACTICE EXERCISE 6 ON THE NEXT PAGE</b>
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## Practice Exercise 6

1. Define Green Consumer.

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2. What is littering?

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3. Explain briefly the three Rs of waste management.

- (a) \_\_\_\_\_
- (b) \_\_\_\_\_
- (c) \_\_\_\_\_

4. List down three health problems that can be caused by some consumer products.

- (a) \_\_\_\_\_
- (b) \_\_\_\_\_
- (c) \_\_\_\_\_

5. Name at least four (4) commercial activities that may cause global warming.

- (a) \_\_\_\_\_
- (b) \_\_\_\_\_
- (c) \_\_\_\_\_
- (d) \_\_\_\_\_

**NOW CHECK YOUR WORK. ANSWERS AT THE END OF THE TOPIC 1**

**ANSWERS TO  
TOPIC 1  
PRACTICE EXERCISES**

## Answers to Practice Exercises 1-6

### Practice Exercise 1

1. Products identified in their respective categories.

PRODUCT	NEED or WANT	GOOD or SERVICE	DURABLE or NON- DURABLE	INDIVIDUAL or COLLECTIVE
PMV Bus	want	service	X service- non-durable bus - durable	collective
Mobile phone	want	good	durable	individual
House	need	good	durable	individual
Doctor	need	service	non-durable	collective
Post Courier	want	good	non-durable	collective

**X= you get the service when you need to**

2. (a) Complementary good is a good one buys to use with another good.
  - (i) For example, when you purchase a radio, the desire to buy batteries will arise or when you purchase a pair of shoes the need to buy a pair of socks will arise.
3. (a) Convenience goods are goods which are bought often and quickly while shopping goods are goods that are bought after customers compare the quality, price, and style of competing products.
  - (b) Examples of convenience goods are food stuffs like rice, bread or newspaper. Examples of shopping goods can be electrical items like radio, TV or computers.
4. (a) Individual goods or services are goods and services that are designed to be used privately by an individual or perhaps a family while community or collective goods and services are goods and services that are designed for use by the public or a community.
  - (b) Examples of individual goods and services are laptops or back yard swimming pool. Examples of public goods and services are taxies, parks, PMVs, schools or cinemas.

## Practice Exercise 2

### ADAM'S FAMILY FORTNIGHTLY BUDGET

<b>SOURCE OF INCOME</b>	<b>(K)</b>
Salary	1,000
Consultation work	500
<b><u>TOTAL INCOME</u></b>	<b><u>K1500</u></b>
<b>EXPENSES</b>	<b>(K)</b>
Rent	200
Groceries	250
Electricity	50
Entertainment	200
Petrol	80
Car Service	100
School Fee Savings	100
Lunch Money	200
Clothing	200
<b><u>TOTAL EXPENSES</u></b>	<b><u>K1, 380</u></b>
<b>INCOME - EXPENSES = SAVINGS</b>	
<b>K1, 500 - K1, 380 = K120</b>	

## Practice Exercise 3

- (1)
- A consumer is a person who uses goods and services.
  - A good is anything that can be physically seen and is useful for consumption.
  - A need is something one cannot go without, like food, shelter and clothing.
  - A want is not really essential for life but makes life comfortable and easy.
- (2) The initials ATM stand for Automatic Telling Machine – the cash machine.
- (3) The difference between a commercial bank and a finance company is that the former deals with the general public, accepts deposits, gives withdrawals of funds, hire purchase, leases finance and finance companies mainly deal with businesses, do not keep cash for normal withdrawals and conducts business activities that benefit the whole country.
- (4) False. They do not keep money for such because this is not part of their duty.
- (5) Kina and Toea are the legal tender of Papua New Guinea because the government states so. This is written on all the Kina notes.

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**Practice Exercise 4**

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- (1) (a) A Birth Certificate identifies you as an individual person who has rights as a citizen  
(b) A Bank deposit receipt is the customer's record of his or her bank transaction  
(c) A Pricelist is given by sellers (wholesalers) of goods and services for their customers (personal) use  
(d) A Marriage Certificate is a very important document that shows a legal binding of two persons
- (2) The appropriate place to report a lost bank card is your bank branch.
- (3) Impulse buying is to do with unplanned buying of goods and services
- (4) Shopping lists, receipts, invoices, quotations, pricelists, birth/death certificates, school certificates, school references, and passports.  
(any four)

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**Practice Exercise 5**

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- (1) Consumer Right means as a consumer one has privileges or treats in the process of choosing goods and services
- (2) In this commercial world you have Rights to;  
Basic needs, safety, be heard, freedom of choice, be informed, live in a healthy environment, educated about goods and services.
- (3) As a consumer one can care for the environment by; purchasing goods that are environment friendly, practise the three Rs, pick up rubbish, and plant trees .
- (4) The most appropriate manner that one can take to address a consumer issue is by;
- Approach the provider and let them know of the problem that you have encountered
  - If no positive response, report the matter to the health authorities or police
  - Finally when all avenues are exhausted, contact the Consumer Affairs Council or ICCC.

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**Practice Exercise 6**

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1. Green consumer is a person who is very concerned about the environment that he tries to buy only environmentally friendly products.
2. Not being responsible of waste- just throwing rubbish anywhere, thus making the environment look untidy and unhygienic.
- 3.
- (a) Reduce Consumption – consumption of certain products need to be limited reduced they cause damage to the environment. E.g. if there is more smoke (carbon monoxide) produced by a vehicle, it should not be frequently used.
  - (b) Recycle waste – some waste of consumer goods can be processed again e.g.

empty can drinks

- (c) Reuse products - it is much wiser to buy products that can be used again instead of buying products that have to be disposed off after using. E.g. baby nappies instead of diapers

4.

- (a) Lung cancer caused by smoking cigarettes  
(b) Obesity (fatness) and heart diseases caused by fatty goods, e.g. lamb flaps  
(c) Diabetes caused by products that have too much sugar eg. Coca Cola

5.

- (a) Mining \ Refinery  
(b) Manufacturing  
(c) Trucking \Transportation                      - any four  
(d) Commercial farming  
(e) Building houses  
(f) *Workshop*

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<b>REVISE TOPIC 1 AND DO TOPIC 1 TEST IN YOUR ASSESSMENT BOOK 3</b>
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## **TOPIC 2**

### **CONSUMER'S NEED FOR A BUDGET**

## TOPIC 2: Consumer's Need for a Budget

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Welcome to Topic 2- The Consumer's Need for a Budget. In this topic you will study decision making, process for the purchasing of goods and services. You will design an action plan for positive consumer behaviour

### **Lesson 7: What Is Budgeting & the Components of a Budget**

Involves defining budgeting and its importance. You will also discuss the alternatives that can be considered in budgets. You will design a budget.

### **Lesson 8: Personal and Family Budget**

Involves differentiating between a personal and a family budget of a regular income earner and one with an irregular income. You will have an opportunity to do family budgets and how each unit can follow their plans and make them a reality, especially when they set an amount for saving.

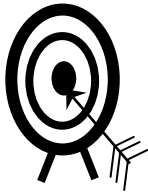
## Lesson 7: What is Budgeting? / The Components of a Budget

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### Introduction

In lesson 6 you learnt about the consumer and the environment. Consumers need to survive so they spend money to buy goods and services. These goods and services, when used, create waste which must be ridden off by the users or consumers carefully because they are littering the villages, towns and cities in Papua New Guinea. When people plan their buying, they must also plan to control their waste. Lesson 7 is on 'What is Budgeting and Components of a Budget'.



### Your Aims:

- Define budgeting and its importance
- Discuss the alternatives that can be considered in a budget
- Identify bodies that need to budget and discuss the components of a budget
- Identify types of income and expenditure and why a budget is modified
- Draw up a budget in a given situation

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### What is budgeting?

A Budget is a written plan of how much money is expected and how this expected income will be spent. Planning and budgeting one's expected income helps one to be able to better control their finances and use the limited finances. By doing so, you can see how much money will be spent and if any money will be left to be saved.

### Importance of Budgeting

In a budget you include the expected income, the expenditure and an amount for saving for a fixed period of time, like a fortnight, month or six months. The amount must be compared against the spending for the period to see if there is enough income to meet the expected spending. A budget can be changed many times to suit your need and this can be done easily by knowing your financial situation. You can make as many changes before a final one is accepted to be used. A budget also stops people from impulse buying or buying without planning. It helps consumers to record and compare income and expenses and to avoid over commitments. Some tips on good money management;

- Prepare a budget regularly
- Save some money regularly
- Monitor and record your income and expenses
- Avoid over commitment

### Who can budget?

Wise consumers such as individuals, families, businesses and governments prepare budgets to try to manage their income. They try to make the best use of their limited income to get the greatest satisfaction in return. It involves making sensible choices. For example, saving part of the income is one of the sensible choices. Individuals and families can budget on a fortnightly basis or whenever they get paid. Businesses as well as governments budget for twelve months. Their budgets run for a year. To make budgeting a lot easier list all the living expenses. They are of two types; fixed and variable expenses. Putting them together will show you all the expenses for a

certain period of time. Comparing the income against the expenditure will show if there is enough income to meet the expenses.

### Income and Expenditure

There are two parts to a budget:

- Planning for the expected income
- Planning on how to use the income

An individual or family income is mostly spent on goods and services. So

**Income = Expenditure.** Expenditure is one of the three parts in any personal or family budget and it shows how the income is used. If they plan to use all their income, the income must equal their expenditure. The various amounts set for each item of expense changes because prices of goods and services change over time. Public utilities like water, power, PMV fares and school fees change over time and wise buyers must make changes to cater for the increases in these costs.

Some of these expenses are non-essential like ice cream or music. People can do without them. However, there are some that are essential, one cannot go without them. This includes such items as food, power, water, bus fare, lunch just to mention a few. Some parents may have to set aside a fixed amount for school fees or rent money before it is due.



#### Activity 7.1: Read and answer the question

In your own words define the word budget.

---

### Savings

It is always wise to set aside some money to save for use in the future or for emergencies. When an individual or family plans to save some money from their income, their budget would look like this.

$$\text{Income} = \text{Expenditure} + \text{Savings}$$

### Preparing a budget

Below is a budget for one person, Laura who is a student studying in Grade 12 at Manu Secondary School and Petson who is a driver with a hire car business in Port Moresby.

**LAURA'S FORTNIGHTLY BUDGET**

Laura's Fortnightly Budget		3 – 12 December 2012	
<b>Income:</b>	<b>K</b>	<b>Expenses</b>	<b>K</b>
Pocket money	50.00	<b>Essentials</b>	
Running errands	20.00	Bus fare	20.00
Sales	20.00	lunch	40.00
		<b>Non Essentials</b>	
		Nail polish	5.00
		Lollies	5.00
<b>Total Income</b>	<b>90.00</b>	Total expenses	70.00
<b>Savings</b>		<b>(income – expenses) = K20</b>	

**PETSON'S FORTNIGHTLY BUDGET**

Petson's Fortnightly Budget		3 – 12 December 2012	
<b>Income:</b>	<b>K</b>	<b>Expenses</b>	<b>K</b>
Wage	250.00	<b>Essentials</b>	
Tips from customers	20.00	Food	150.00
Sales of vegetable	100.00	lunch	20.00
		power	10.00
		water	30.00
		<b>Non Essentials</b>	
		Music CD	15.00
		movie CD	10.00
<b>Total Income</b>	<b>370.00</b>	<b>Total expenses</b>	<b>235.00</b>
<b>Savings</b>		<b>(income – expenses) = K135.00</b>	

What advice would you give to Laura and Petson in order to increase the amount of money for their savings?

Businesses and Governments do make annual budgets. Their budgets last for twelve months. The Business budgets allow for inflation.

A sample of a business budget is on the next page ;

**SAMPLE BUSINESS BUDGET**

Ekessa Tyre Service				
Budget for Year 1 January to 31 December, 2015				
<b>Income</b>	<b>K</b>	<b>Expenditure</b>	<b>K</b>	<b>K</b>
Servicing	10 000	<u>Selling expenses</u>		
<b>Sales</b>		Advertising	400	
Spare parts	7 600	Stationery	250	
Tyres	4 200	650		
		<u>Administrative expenses</u>		
		Wages	750	
		Rent	4300	
		Electricity	2000	
		Insurance		500
		7550		
		<u>Trading Expense</u>		
		Purchases (parts, oil, grease)		
		4350		
		<u>Capital outlay</u>		
		New tools		
		1500		
	<b>21 800</b>	<b>Total expenses</b>		<b>14 050</b>
		<b>Estimated profit</b>		<b>750</b>
				<b>21 800</b>

**Why do People Save Money?**

Wise people always save part of their income for later use. Savings does not have to be a large sum but regular amount saved based on ability and character. Some struggle while others with strong will power save regularly but its sad that not everyone can save. There are many reasons why people save and below are some of them.

People save to buy;

- Expensive items

Some things that people want just cannot be purchased using one pay period but need several pay periods. That is the reason why people plan and save to purchase items such as clothes, cars or may be an illness may strike in the future so to help out in such situations, people have to save regularly.

- To reach an aim

People have goals in life and to reach them they have to save regularly. Some people like to own expensive goods like cars, travel to other places, and even own their own houses in town. The key to achieving all these is saving regularly and realising these dreams and achieve their lifetime goals.

- For old age

Savings is important for health as well as old age. There is so much risk of getting sick or diseases in our environment today as people come to age, this is the beginning of great trouble due to lack of savings. Many personal unhappiness and family problems arise from lack of savings and such situations may lead to unhappy lives and may even lead to death.

- For Investment

As individuals that make up the communities you and I need to work together to beat things like inflation by saving. When we continuously spend this helps the prices to continue to increase but when you make a commitment to save money this helps to slow the process. The money that is saved in the commercial banks can be lent out to people and is used by the government and individuals alike to conduct businesses that will benefit the country as a whole.

### **How to Save Money**

Generally there is only one way to save and that is to avoid spending all the money. It may be so difficult to decide how much but resistance will help you to at least save. Having a goal to save gives one an aim to work towards and achieve. It may be a trip, a television screen or an occasion of a new birth. Save on a regular basis and this can help you to form this good habit of saving.

Saving money in the commercial banks help you to earn an interest which is extra money given for keeping your money in the bank. Money saved in the home will not earn interest and thieves can steal it too so save your money in the banks.



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**Summary:**

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You have come to the end of your lesson. In this lesson you learnt that:

- Income is the money that a person or an organisation receives or earns.
- Wise consumers manage their money and organise their income wisely. This includes budgeting and spending wisely, avoiding impulse buying, comparing income and expenses and avoiding over commitments.
- A Budget is a written plan on how to get money and how to spend it. Budgets can be prepared by individuals, families, businesses and even governments.
- The commercial banks, finance companies, insurance companies, easy money lending schemes, friends and wantoks are all avenues where money can be saved.
- Income equals expenditure is where a person spends all his income on goods and services.
- Expenditure is money that has been or will be spent.
- Savings is part of the income that will not be spent.

Individual and family budgets are done on a weekly basis, however, businesses and government budgets are planned for a twelve month basis.

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<b>NOW DO THE PRACTICE EXERCISE 7 ON THE NEXT PAGE</b>
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### Practice Exercises 7

1. In your own words define the word budget

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2. What are essentials in a personal budget?

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3. List four (4) essentials in a family budget

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4. Income earned is limited. How can a family increase its savings?

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5. Saving money depends on the person's character. What does this statement mean?

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**CHECK YOUR ANSWERS AT THE END OF TOPIC 2**







## Lesson 8: Personal and Family Budgets

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### Introduction:

Welcome to our new lesson “Personal and Family Budget”. In the previous lesson you learnt about what budgeting is and the components of a budget.



### Your Aims:

- Differentiate between a personal and family budget
  - Discuss a personal budget with a regular and an irregular budget
  - Discuss a family budget with a regular income
  - Discuss how to manage and organise a personal and family budget
- 

## Budget

### What is a Budget?

A budget is a written plan on how income or money can be used or spent. It is very important that an individual or a family keeps a budget. Having a budget is a useful way of planning for the use of limited income or in other words if you earn a small income a budget will help you to use that money wisely and responsibly. By doing so, you can see how much you are spending and can also see how much you are able to save.

In order to make the budgeting process easier together you and I must make a list of all our living expenses. These expenses can be divided into two groups.

1. Fixed Expense – usually represent important items.

Examples include;

- Money put away for bus fare and lunch for school children
- Food for the family
- Clothes for the family
- Accommodation

2. Variable Expense – refers to expenses that are not fixed and are determined by the level of income earned.

Examples include;

- The cost of utilities such as water, power, electricity and telephone bills depends on their usage
- Textbooks
- Uniforms for school children
- Entertainment

Combining these two expenses will give us the total amount of expenditure for a given period. Income earned should be compared against the expenditure to see if there is sufficient income to meet the expected budget.

## A Personal and Family Budget

### What is a Personal Budget?

A personal budget is one that is prepared by one person. It can be changed at any time to suit our individual or family needs. By knowing our financial situation we can adjust the budget to achieve some good results. Many changes can be made to budget before the final one is prepared.

A budget also stops people from impulsive buying or buying without any planning at all. It can help consumers to record and compare income and expenses to avoid over commitments.

### What is a Family Budget?

A family budget is one that each family member is taken into the plan or budget. Each family member need is taken into account. For example, if the family had a new addition then the baby's needs are taken on board.

From the information provided above, we can now tell that personal budget is a budget prepared by an individual person and a family budget is a budget prepared by a family (father, mother and children) to suit their family life style and needs.

## Income and Expenditure

**Income is the money received in return for the human effort into doing something. While expenditure is the spending of the income earned.**

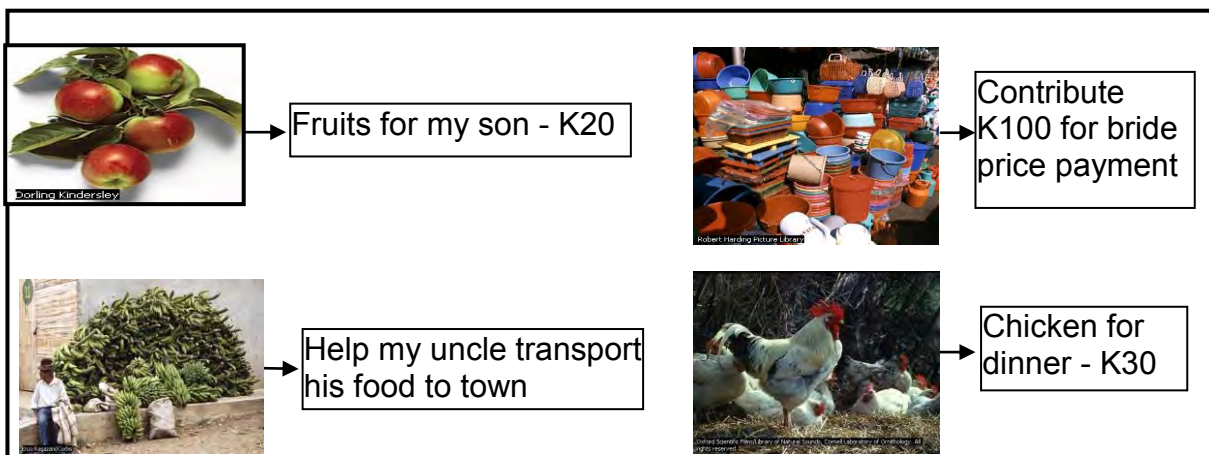
There are two parts to a budget.

1. Planning for the Income (how you plan on making the money)
2. Planning how to use the money (how you plan on spending the money you have made)
3. Sometimes a person's income can all be spent on goods and services. If he or she plans to spend all the money made then we can say that Income will be equal to expenditure,  $\text{Income} = \text{Expenditure}$

The diagram below shows how income earned can be spent.



I just earn K250 and there are so many things to buy.




**Activity 8.1: Read and answer the questions below.**

1. Unscramble the following words then match with their definitions provided in the table below

**Scrambled words**
**Unscrambled words**

- a. Vassgin \_\_\_\_\_
- b. Tdgbue \_\_\_\_\_
- c. veeeepaarxnsi \_\_\_\_\_
- d. pteeeirudx \_\_\_\_\_
- e. mocien \_\_\_\_\_
- f. fenxpdeeei \_\_\_\_\_

2. After you have unscramble the words above, match them with their definition below

Word	Definition
(a)	Spending of the income earned
(b)	The leftover from the spending of the income earned, income not fully spent or used .
(c)	Expenses that depend on the income earned
(d)	Money earned based on the work done for someone.
(e)	A plan on how money can be used
(f)	Money spent on things that are used.

**Preparing a Budget**

Personal and family budgets are not meant to be permanent documents. They change according to the changing needs and wants of people. An individual may get married and has to change his budget to cater for two persons. A family may have a new member added so the budget has to cater for the new family member. Each family unit may make changes until the best budget is planned. When a person makes a plan or a budget it is helpful to list all the expenses on paper. After some careful thoughts, this list can be changed until a better plan appears



Below are two budgets, one belonging to an individual and the other belonging to a family.

### PERSONAL BUDGET - MICHAEL'S WEEKLY BUDGET

<b>Income</b>	<b>Expenses</b>
Pocket money	<b>Essentials</b>
20.00	Bus fare 5.00
Car wash	Lunch 15.00
30.00	<b>Non- Essentials</b>
	DVD 20.00
<b>Total Income</b>	<b>Total Expenses 40.00</b>
<b>50.00</b>	
<b>Savings (Income – Expenses) = 10.00</b>	

### FAMILY BUDGET - DODO'S FAMILY WEEKLY BUDGET

<b>Income</b>	<b>Expenses</b>
Wage 200.00	<b>Essentials</b>
Sale of empty cans 50.00	Bus fare 5.00
	Food 100.00
	Loan repayment 50.00
	<b>Non - Essentials</b>
	mattress 20.00
	school fee 50.00
	<b>Total Expenses 225.00</b>
	<b>+Savings 25.00</b>
<b>Total Income 250.00</b>	<b>Total Income 250.00</b>
<b>Savings = (Income – Expenses) = 25.00</b>	

### Why do People Save Money?

Wise people always save their money for future use. Savings do not depend entirely on the level of income earned by people, but rather on the determination of people. Some people make it a habit and save whatever they don't spend. The following are main reasons why people save their money:

- (a) Save to meet irregular payments
- (b) Save for distant goals
- (c) Save for own protection or emergency

### How do People Save Money?

Basically there is only one way to save money and that is to avoid spending most of their income. Here are a few tips;

- Have a plan
- Decide the amount to be saved
- Save regularly
- Make your savings earn you interest
- Be patient with your savings


**Activity 8.2: Read and answer the questions below**

(1) Identify and list the three (3) main parts of a budget

(a) \_\_\_\_\_

(b) \_\_\_\_\_

(c) \_\_\_\_\_

(2) Complete the table below. You are given K25 as your allowance. Your daily budget is K5, which is spent on bus fare K1.50, coke cola K2.00, snax K1.00 and the remainder is for savings. Fill out this information for each single day. Finally, total each column (A-D) and put in each appropriate place.

Day	Lunch Money(A)	Spent on (B)	Total Spent (C)	Savings (D)
<b>Example Monday</b>	<b>K5.00</b>	<b>Bus fare K1.50 Coke K2.00 Snax K1.00</b>	<b>(K1.50+K2.00+K1.00) = K4.50</b>	<b>(K5.00-K4.50) = K 0.50</b>
Monday				
Tuesday				
Wednesday				
Thursday				
Friday				
<b>Total for the week</b>				

a. What is the total amount of lunch money per week? \_\_\_\_\_

b. Were you able to save money? \_\_\_\_\_

c. If yes, then how much? \_\_\_\_\_

d. Why is it important to save money? (from your own experience filling in the table)

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**Summary:**

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You have come to the end of Lesson 9. You have learnt that;

- A budget is a written plan on how income or money can be used or spent
  - Expenses can be divided into two groups: Essentials and Non-Essentials
  - Income is the money received in turn for the human effort put into doing something. While Expenditure is spending of the income earned
  - When all income earned is spent on goods and services, we can say Income is equal to expenditure ( $\text{Income} = \text{Expenditure}$ )
  - Wise people always save their money for future use
  - Impulsive buying should always be avoided because it spoils the budget and does not allow for savings to occur
  - To avoid spending all your income always have a plan, decide how much to spend and to save.
- 

<b>NOW DO PRACTICE EXERCISE 8 ON THE NEXT PAGE</b>
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## Practice Exercise 8

1. What is a Budget?

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2. What is the difference between a personal and Family Budget?

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3. Identify and list three main reasons why people save their money?

(a) \_\_\_\_\_

(b) \_\_\_\_\_

(c) \_\_\_\_\_

4. Define the following key words:

(a) Savings

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(b) Expenditure

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(c) Impulsive

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(d) Essential expense

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(e) Non – essential expense

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(f) Income

(5) Mr and Mrs Alesaana are primary school teachers. Both are senior teachers and their salaries are the same. They both receive K580 each every fortnight. Help them budget a total of K1160 for one fortnight. Their expenses are; food K400, loan repayment K100, clothes K200, school fees K100, bus fare K50, electricity K50, medical costs K60, entertainment K50, wantoks K50, and the remainder is for savings.

Use the table on the next page to draw up the budget for Mr and Mrs Alesaana in one fortnight.

Income	Expenditure

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<b>CHECK YOUR WORK. ANSWERS ARE AT THE END OF TOPIC 2</b>
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**ANSWERS TO  
TOPIC 2  
PRACTICE EXERCISES**

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**Answers to the Practice Exercises 7**

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**Practice Exercises 7**

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- (1) A budget is a written plan on how to earn an income and spend it.
- (2) The essentials in a personal budget are food, clothing and water, school fees, electricity or power, clothes, and bus fare
- (3) In order to increase a family savings they must cut - down on some of the non-essential goods and services
- (4) Saving money depends on the persons character means that a person must be strong and has the ability to save for the future.

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**Practice Exercises 8**

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**Note:**

**Answers to the practice exercises may not be exactly the same, as long as they are similar**

1. A Budget is a plan of how money/income earned can be used.
2. The difference between a personal budget and a family budget is that, a personal budget is prepared for an individual who is not tied to too many responsibilities. How much they earn and save is for that individual only. A family budget is prepared by the head of the family (father and mother) and caters for the needs of the whole family, parents and children.
3. (a) Save to meet irregular payments  
(b) Save for distant goals  
(c) Save for own protection or emergency
4. (a) Savings: The amount of money left after spending from income earned is done.  
(b) Expenditure: Spending that takes away the value of income earned.  
(c) Impulsive spending/buying: Spending money on things that are planned for, or are not in the budget.  
(d) Essential Expense: Spending that is fixed or cannot be changed because life style depends on it.  
(e) Non essential expense: Spending that is not necessary and can be left out.

(5)

<b>Income</b>		<b>Expenditure</b>	
<b>K</b>		<b>K</b>	
<b>Mr Alasaana</b>		<b><u>Essentials</u></b>	
	580	Food	400
<b>Mrs Alesaana</b>		Loan Repayment	100
	580	Clothes	200
		School Fee	100
		Bus Fare	50
		Electricity	50
		Medical	60
		<b><u>Non - essentials</u></b>	
		Entertainment	50
		Wantoks	50
		<b>+ Savings</b>	100
<b>TOTAL</b>	<b>K1160</b>	<b>TOTAL</b>	<b>1160</b>

REVISE TOPIC 2 AND DO TOPIC 2 TEST IN YOUR ASSESSMENT BOOK 3
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## **TOPIC 3**

### **SAVING MONEY**

## TOPIC 3: Saving Money

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Welcome to Topic 3 – Saving Money. In this topic you study how you as a consumer can use the provision of money by the different banks to maximize your needs and wants and exercising wise financial decisions. You will study how you can maximize on the use of funds by strictly following the rules set by the banks

### **Lesson 10: Savings Account**

Involves defining savings account and stating its importance. You will study all the different types of savings accounts that banks have on offer to everyone. You may realise that different banks have different names for the same products and services.

### **Lesson 11: New Banking Systems**

Involves defining banking technologies and their importance to people. You will also study the advantages and disadvantages of the new banking technologies or systems.

### **Lesson 12: Banking Procedures**

Involves identifying the procedures involved in opening bank accounts. Your study will enable you to differentiate the difference between a deposit slip and a withdrawal slip and also be able to identify safety measures of bank accounts. Finally, practise filling a deposit and withdrawal form.

### **Lesson 13: Cheque Account**

Involves defining cheque account. You will identify different parts of a cheque plus its special features and also how one can make cheques as safe as possible. There will be a practice exercise on how a cheque can be written using given information. Finally, have hands on practice exercises on reconciling bank statements against cheque butt information.

## Lesson 9: Savings Account

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### Introduction:

Welcome to lesson 9 on Savings Account. In your previous lesson, you learnt about the consumers' need to budget the limited income so his or her needs and wants for goods and services are adequately satisfied. It also outlined the components of a budget and finally you had a closer look at a personal and family budget. In each of these budgets some money was set aside to be saved. In this lesson you will study;



### Your Aims:

- Define a savings account and state its importance
- Discuss each type of savings account
- Look at the aspects of each savings account to choose the bank to open a savings account

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### What is a Savings Account?

We firstly start by defining the word "savings". It means reserving or setting aside for later use. "Accounts" meanings an arrangement in which a customer keeps money in a bank or financial institution and is offered financial services in exchange. Generally a Savings Account is a popular account operated by banks for customers. Anyone can open a savings account with any commercial bank or financial institution in the country.



### Activity 9.1 Read and answer the questions below.

1. Write down three (3) things you know about savings account?

- (a) \_\_\_\_\_
- (b) \_\_\_\_\_
- (c) \_\_\_\_\_

2. Name at least two (2) commercial banks operating in your home town.

- (a) \_\_\_\_\_
- (b) \_\_\_\_\_
- 

### Importance of Savings

It is important to save part of ones income for future use. Below are reasons why people must save regularly:

#### 1. To meet irregular payment

Some things cannot be just purchased by ones fortnightly salaries or wages. Money has to be saved and when the right amount is reached, then the item can be purchased. Things such as clothes, tools for children, school fees, illnesses, etc. The best way to meet these needs and wants is by saving regularly.

## 2. Meet goals

Everyone has goals to achieve in life. Some of these goals are long term which take longer to achieve for items like a house, a vehicle, to travel home to visit relatives just to name a few and some are short term such as school fees, a television set, radio and many more. The key to achieving these is by saving regularly.

## 3. For old age

Saving for medical care is very important for working persons especially for retirement. There are also many health risks today especially lifestyle diseases. A lot of unhappiness and family problems can arise because of lack of savings and such situations can lead to a miserable life and can even cause death.

## 4. To meet family obligations

People who work in urban areas have obligations to their immediate family members back in their villages. Parents work hard to send their children to school and while they work and earn money they must take care of their older folks in their old age.

### How to save money

Many people want to save money but do not really have the right attitude to make this a reality because they cannot resist spending the money. The following are useful tips for you to use in order to save.

- Have a written plan (budget)
- Nominate an amount to save
- Save regularly
- Make your savings earn interest
- Be patient with your savings

It is really encouraging when one reaches their goal and the item is purchased. A goal may be to go on a trip, an important occasion like wedding, birthday or a feast for a love one who passed on just to name a few. A regular amount set aside over a period of time will grow big and will enable one to realize their dreams. For the ones who earn on a weekly, fortnightly or monthly basis the amount budgeted must be saved accordingly.



Some of the Commercial Banks operating here in Papua New Guinea

An increasing number of Papua New Guineans are choosing to use the banking system in the country. They provide a number of banking services to the consumers such as; savings accounts, mortgages, personal loans, telegraphic money transfers, cheese systems, etc.

Saving money in the bank account is beneficial and safer too because the interest will be added to the amount saved. Money kept in the house is unsafe and at risk from fire and thieves.

Individuals can withdraw their money at any time when they wish to. Interest is paid according to how much money the account is holding.

The commercial banks operating in the country offer their services especially the savings accounts under different names, for example, ANZ \_ Access, BSP – Kundu, Westpac \_ Handy. Some of these accounts have dual or triple accounts put together, like, cheque, savings and debit cards.

These make banking much easier when one account has a dual or triple use. Many banks issue „save cards“ or debit cards to their clients. They are linked to the personal savings accounts with the banks. A Personal Identification Number (P.I.N) is given by the banks to use with the card. It can be used at the Automatic Telling Machine (ATM) as well as the Electronic Funds Transfer at the Point of Sales (EFTFOS).

The commercial banks own these machines and operate them with the aim of making banking easier for the general public. There is no need to go to the bank to obtain cash with these machines available nowadays. Debit cards differ from stored-value cards (also known as Kundu, Access, and Handy cards), which simply subtract the transaction amount from cash value stored on the card.



### **Activity 9.2 Read and answer the questions below.**

(1) What are Automatic Telling Machines (ATMS) used for? List two (2) uses.

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### **Savings Account**

The savings account generally refers to any form of savings made in any commercial bank. Different banks use slightly different names to identify their own customers. For example, savings account, Kundu card, Transaction account, Save card, Handy card etc, they operate differently but they are all savings accounts.

You may have seen your parents or friends already having accounts in any commercial bank. You may have already learnt about the use of savings accounts in any commercial bank. You may have already learnt about the use of savings accounts to buy goods and services with.

EFTFOS Machine



Now you will learn about how you can open and operate a savings account in case you have not learnt any yet. They are;

### **Types of Savings Account**

There are two very common accounts that anyone can open. These two are;

- Passbook account (savings account)
- Cheque accounts (current account)
  
- There are other accounts to open for different purposes which will be considered later. The passbook account change is savings. The name is still the same except passbooks are not used and due to major changes in the banking system. However, you are required to learn the basic steps on how to open an account for yourself.

### **Step 1:**

You have to decide which commercial bank to open your account in. Different banks require different processed like the opening amount, BSP requires K20, WESTPAC requires K100, and ANZ is K50. Other requirements are;

- (a) Personal Identification Card (ID)
- (b) Reference from employer or School Head Teacher or any prominent person in the community.
- (c) Pick up a New ACCOUNT FORM from the bank and fill it in. This form may require the signature from:
  - (i) The Employer
  - (ii) The Head Teacher if you are a student
  - (iii) The Policeman or woman
  - (iv) A Religious leader from your community

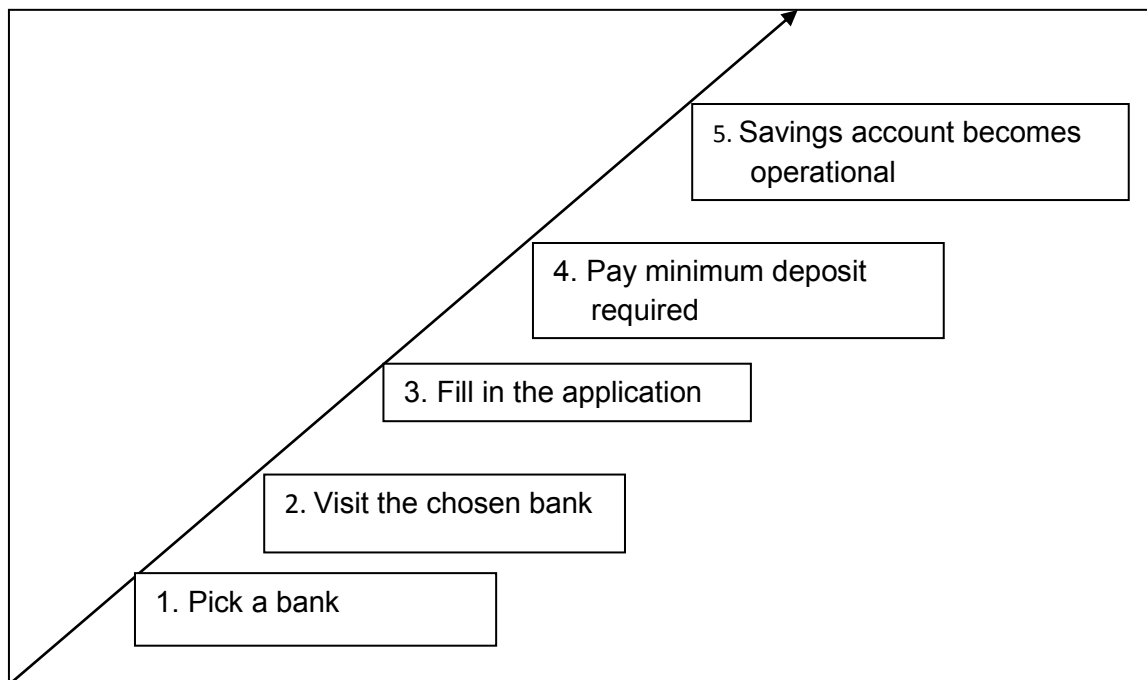
### **Step 2:**

You will pay a visit to a bank of your choice on any working day with all your forms and money. When you arrive at the bank you go straight to New Account Section or the Enquiry Section in the bank and see the teller there. If the teller is satisfied with your document then you will be told to fill in the following documents.

- (a) New Account Form with your personal details like your address, contact number plus others.
  
- (b) You are then given the Specimen Signature Card. In this card you sign your signature which will be held at the bank. That is the most important card where no one will get your money without your signature. You will also be in trouble if you forget your signature at any time. If its forgotten then you change the card by signing a new one upon request. You will use this signature for withdrawing money from your bank account unless you are using cards. Then you will fill in the Deposit Form and deposit your first amount required or more. Finally, you will be asked to pick up your Transaction Card after processing your deposit which may be after some days.

**Step 3:**

After the above, you are an account holder so you can enjoy your money and become a wise responsible person.



The process in starting a savings account is very simple and easy.

1. Select a bank
2. Pay a visit to the bank of your choice.
3. The bank teller at the customer service counter will assist you with a new application form for a new savings account, they will ask for other documents such as statutory declaration and a witness to the new account form to proceed on.
4. When these requirements are met a minimum deposit will be paid to open the new account. Usually, it may take a few days to a week to establish the new account.
5. A passbook or a debit card is issued once the account is set up.

A Savings Account is the most popular account operated by banks for their customers. Anyone can open a savings account as long as they meet the bank's basic requirement. This account allows individuals to save extra money for later use. Individuals can withdraw their money at any time they wish. Interest is calculated on the principal and paid in to their accounts annually. Each bank also has its own restrictions on the minimum balances too. Below is a deposit rate from Bank South Pacific.

See how much you will earn if you left your money with them for any period of time you may wish to do so in any one of the five types of accounts.

Turn to the next page to see this.



### BSP DEPOSIT RATES

BSP Deposit Rates ( as of 05 <sup>th</sup> March 2014)		
1	<b>Kundu Standard Account</b> K0.00 –K9999.00 K10,000.00 plus x interest rate applies only to the amount in the account exceeding K10,000	0.0% p.a 0.15% p.a
2	<b>Kundu Plus Account</b> K0.00 –K9999.00 K10,000.00 plus X interest rate applies only to the amount in the account exceeding K10,000	0.0% p.a 0.15% p.a
3	<b>Kundu Package Account</b> Kundu Package Account	0.0% p.a 0.0% p.a
4	<b>Sumatin account</b> Sumatin account	0.0% p.a
5	<b>Loan &amp; savings account</b> Loan & savings account	3.00% p.a
6	<b>Kids savings account</b> K10.00 – K99.99 K100.00 – K499.99 K500.00 – K999.99 K1000 plus	1.3% p.a 1.4% p.a 1.5% p.a 1.6% p.a

(Source: BSP WEBSITE)

### Other Types of Account

The commercial banks provide a number of banking services to the general public apart from savings accounts, such as cheque system of making payments, overdrafts, Interest Bearing Deposits (IBD) and with the introduction of electronic banking a whole lot of services are provided and is making banking easier.



Automatic Telling Machines (Source: WESTPAC WEBSITE)

### Term Deposits

Banks offer this service to their customers to enable them to keep their extra funds for a specific period of time in which interest will be calculated and paid according to the time agreed. The times may be for 3, 6, 9, 12 or even 24 months. Times on interest bearing deposits vary but may go for longer periods like two years and the interest will be paid into the owners account. Alternatively, it can be compounded and

added on to the principal and its term lengthens. This money cannot be withdrawn at any time but only when it matures. No withdrawals will be done at any time.

Different banks call their Term Deposits differently but all use the same principal in their term and conditions. Apart from the main interest bearing deposits each bank offers other accounts however, customers are encouraged to save regular amounts instead of a lump-sum at the beginning. This encourages people to save little at a time and not to withdraw regularly like in the normal savings account. The account is useful for customers who want to save for a purpose like bride price, TV, car, etc. Australia and New Zealand Banking Group (ANZ) call theirs *Bonanza*, Bank South Pacific – *Achiever* as well as Westpac. The basic formula to calculate the interest on term deposit is;

$$\text{INTEREST} = \text{PRINCIPAL} \times \text{RATE} \times \text{TIME}$$

#### Bank South Pacific Term Deposits K25,000 to K100,000

6 months	1.4% p.a
12 months	2.10% p.a
24 months	3.15 % p.a
36 months	3.75% p.a

- term deposit no longer for sale: K1000≤K 24,999

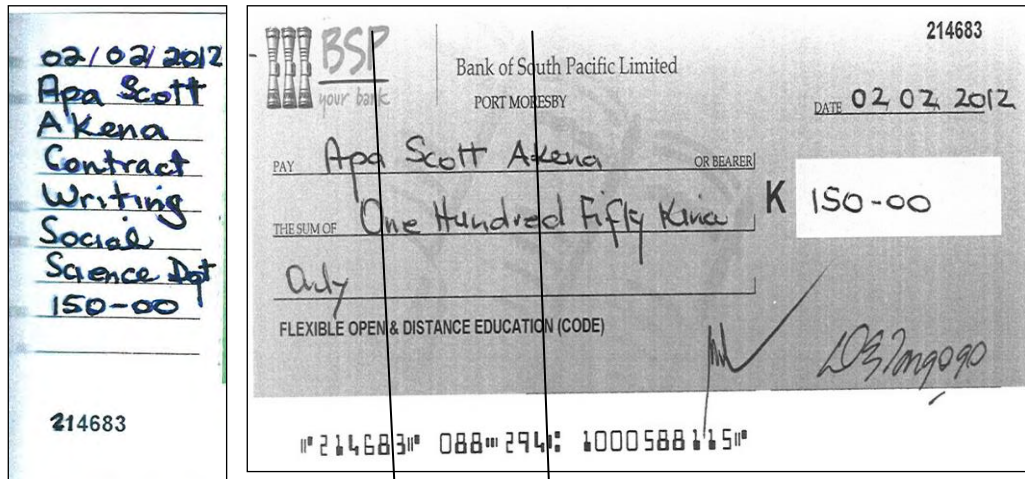
For example, if Bank South Pacific Limited is giving to their IBD customers for the following rate and time and interest this is how much a customer will get if they deposited their money with them.

### Cheque Accounts

Cheque accounts are called current accounts too. Customers can operate cheque accounts without transferring large amounts of cash. A Cheque is a written order to the bank to pay an amount of money to an account or person. When money is paid into the cheque account the bank balance increases. Payment of cash from a cheque account is made using cheques. There are three main parties to a cheque – (1) **Drawer**- The **drawer** is the person that operates and writes the cheque with the commercial bank. (2) **Drawee**- The **drawee** is the bank whose name appears on the cheque. (3) **Payee** - The person who receives the cheque is the **payee**. It is equally important that the cheque is made safe. The three common ways of making a cheque safe are:

- Two parallel lines drawn across the cheques indicate that the cheque has to be deposited into a bank account
- “Not Negotiable” written across inside the parallel lines protects the cheque if it is stolen or lost. or
- PAY INTO PAYEES ACCOUNT ONLY. The cheque is simply deposited into the payees bank account.

Cheque accounts do not earn interest, instead the bank charges a small fee for maintaining such an account. This is a disadvantage of cheque accounts.



A crossed cheque (Source: FODE )



### Activity 9.3 Read and do the exercise below.

Study the cheque leaf above. Name the;

- (a) payee \_\_\_\_\_
- (b) drawer \_\_\_\_\_
- (c) drawer \_\_\_\_\_

### Phone Banking

Due to high demand in phone banking services by customers all commercial banks are offering phone banking of some sort. Businesses are looking for easier and faster methods to do their banking to pay for bills rather than going physically to the bank. This has been created so busy customers could use this services to pay for their bills such as telephone, hospital, water and garbage. Businesses using phone banking now have standing order through their banks to conduct their transactions. Almost all banks today offer phone banking. Anyone wishing to apply for this service can see their banks.



Phone banking tools

### Internet Banking

Internet Banking has become a popular method of banking in Papua New Guinea. Those who have access to it can communicate with their banks for services they need. The internet allows customers to send instructions concerning their needs through written messages without physically going to the bank. Services such as checking account balances, transferring monies and even paying for goods and services can be done very easily now. Computer software companies and financial

institutions in the United States of America, Europe and Asia have developed programmes that enable buying and selling of goods and services on the internet possible. One can view items, its prices, assess quality, and establish an account and place an order from anywhere in the world and make a transaction. For example, the marketing of Japanese used car sales which people are buying through the internet is becoming a booming business for some people. Home shopping on the internet is fast reducing transaction cost of banking.

### **Credit Cards**

The use of Credit cards to pay for goods and services has become popular amongst Papua New Guineans. It is an easier, safer and convenient way of paying for goods and services. EFTPOS machines are in most major shopping centres for customers with credit and debit cards to use. They are currently for use by ANZ Access card, BSP Kundu Card, Westpac Handy card, Master cards and Visa Card. Most financial institutions and banks that are part of a credit cards scheme may issue credit cards to individuals and businesses. The Malaysian Banking Finance (MBf), finance company issues credit cards under the Master Card Scheme. Westpac Travel is offered by Westpac Travel is part of the American Express Scheme.

Credit cards are issued upon approval by the bank where the application has been lodged. The cards are given to faithful customers and once the credit card is issued one may start using it. This is very useful especially for people who have regular incomes. A card holder is given a maximum credit limit. The limit depends on the income level and credit worthiness of the customers.

Each month a statement is issued stating how much of the approved maximum has been spent and the total owing. The total amount must be paid immediately to avoid interest charges. Some credit cards are linked to bank accounts. This makes it easier to deduct the outstanding from the bank account. The monthly statement will show this information.

A business or individual that accepts this credit card usage pays a small fee for using these facilities. It is not free to use these facilities, one has to pay and this makes the credit card a costly way of buying goods and services. Only businesses and individual that have signed formal agreements can use this. Moreover, credit cards are very useful for international transactions too.

### **Banking Procedures**

Banks today are providing the most basic tool for savings which is **Savings Account**. It is safe, secure, and convenient method for people to save their money. Money saved in the banks can interest too. You simply visit a bank of your choice and make your need known and as long as you meet their requirements they will help you open a savings account with them. There are several types of accounts that one has a choice on and the basic one being the passbook or savings account which has low interest rate too. Withdrawals can be anytime for this account.



#### **Activity 9.4 Answer the question below.**

Find out from the nearest bank what their minimum balance is on their savings account

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**Summary:**

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You have come to the end of Lesson 10. You have learnt that

- Savings is part of the money which is not spent.
- People save money for many different reasons such as school fees, old age, housing, bride price, death, feasts, birthdays, weddings etc.
- Banks provide an alternative avenue for people to save and control the use of their income wisely.
- Banks provide a variety of services such as savings accounts, phone banking, and use of EFTPOS, credit and debit cards, phone and internet banking.
- There are three main parties in a cheque ; **a drawee**, the bank whose name appears on the cheque, **drawer**, the person who signs the cheque and **payee**, the person who receives the cheque .
- Always make the cheque safe by drawing two parallel lines from the top to the bottom or writing “Not Negotiable” in the centre of the parallel lines.

Money saved in the savings account earns interest for the account holders.

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<b>NOW DO THE PRACTICE EXERCISE 9 ON THE NEXT PAGE</b>
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## Practice Exercise 9

1. Define Saving

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2. What is the difference between savings account and a cheque account?

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3. List two advantages of saving money

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4. What is the difference between a debit and credit card?

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5. How does one make a cheque safe?

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<b>CHECK YOUR ANSWERS AT THE END OF TOPIC 3</b>
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## Lesson 10: New Banking Systems

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### Introduction:

In lesson 9 you learnt about *Savings Account*. You learnt that anyone can open a savings account with any of the commercial banks operating in the country. You also learnt that the savings account allows individuals to save their extra money for later use.



### Your Aims:

- Define banking technology
- Identify the new banking system and its importance
- Discuss the advantages and disadvantages of the new banking systems

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### Banking technology

Banking technology is about doing banking electronically through the use of computers which are hooked onto the Information and Communication Technology Networking Systems that is used by the bank. The aim of the banking technology is to meet the increasing banking demands by individuals and businesses in this changing world and more importantly to make banking convenient and easy for the customers and the bank itself.



### Activity 10.1: Read and answer the question below.

(a) Name one of the new banking systems that you know.

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### New Banking Systems

Previously, people would go to the banks to withdraw their money to pay for their goods and services. The bank lines would be very long for them but they would patiently follow the lines to withdraw and deposit their money. They would carefully use the money they withdrew so that it would last for some time before they would go back to the bank for another withdrawal.

Today, the banking systems in all the commercial banks have changed so much with the use of Information and Communications Technology. This enables people to have access to their funds 24 hours a day, 7 days a week. When we talk about Information and Communications Technology, it is about the use of computers with a network system in place for bankers to process data and for the bank customers to use them conveniently to access their funds at any time.

### Bank of South Pacific's New Banking Systems

Let us specifically take Bank South Pacific (BSP) as an example to study its new banking systems. According to BSP, they are called channels of banking. Here are its new banking systems or rather channels of banking as they call them:



- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Kundu Card</li> <li>• Automatic Teller Machines – (ATM)</li> <li>• Electronic Funds Transfer at Point Of Sales- (EFTPOS)</li> <li>• SMS Banking</li> </ul> | <ul style="list-style-type: none"> <li>• Phone Banking</li> <li>• Internet Banking</li> <li>• Visa Debit Card</li> <li>• Payroll Service</li> </ul> |
|---|---|

### 1. Kundu Card

A kundu card is a debit card that gives you access to EFTPOS and BSP's network of over 150 ATMs throughout the country.

### 2. Automatic Teller Machines – (ATM)

Currently, there are over 150 ATM locations throughout Papua New Guinea. There may be some more ATM locations in the future to come as developments unfold around our towns and city. ATMs are the largest banking network. It provides services such as; checking account balance, withdrawing cash, transferring funds between linked personal accounts, topping up mobile phone credits, changing pin number and obtaining a mini statement showing the last ten transactions.

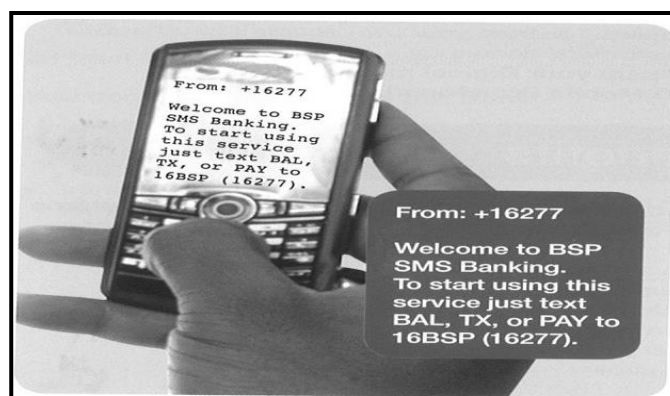


Source: BSP WEBSITE ATM

The use of ATMs is convenient and cost effective way to withdraw cash. However, there are daily ATM cash limits and minimum cash withdrawal amounts that apply. For example, the BSP customers are allowed to withdraw from the minimum amount of K20 to the maximum amount which is K2000. You cannot withdraw any amount above K2000. To withdraw an amount above K2000, the customers have to go to the bank and the teller will assist them to make that withdrawal over the bank counter using their kundu card.

### 3. Electronic Funds Transfer at Point Of Sales- (EFTPOS)

Electronic Funds Transfer at Point Of Sales is a convenient, safe and cost- efficient way of paying for your goods and services. The use of a debit card makes it possible for customers to use EFTPOS in stores and businesses that participate in the network throughout the country. You know that there are different commercial banks; therefore, customers from the different banks will use their debit cards such as kundu card, access card and handy card. Customers may also withdraw cash at the same time when they pay for their goods or services, if the shop allows them. The customers must make sure that other people do not see when they are entering their pin number.



Source: BSP WEBSITE SMS Banking

#### 4. SMS Banking

This is another convenient Electronic Channel used to perform certain transactions using a mobile phone. Customers are able to do their banking directly from their mobile phones 24 hours, 7 days a week without making a trip to a branch bank or an ATM. By using SMS banking, the BSP customers are able to perform services such as; viewing last three transactions, checking their account balance, transferring between registered BSP Accounts only and topping up mobile phone credits.



#### Activity 10.2: Read and answer the question below.

(1) What do the initials SMS mean?

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#### 5. Phone Banking

Phone banking started in 2009. It is an automated service operated from the customers' telephone. It is a convenient way for customers to pay for their bills through the telephone from his/her home or office rather than physically going to the bank. It was created purposely for very busy customers who cannot find the time to go to the bank in person to do withdrawals and deposits to pay their bills such as telephone, hospital, water and garbage.

##### How did it work initially?

A customer would call the *Call Centre in Port Moresby* and provide their identification number and password. The amount to be withdrawn is then given to the teller over the phone. Next, the operator or phone teller would debit (deduct) the money from the customer's account and credit (add) the appropriate account with the amount of the bill. Today, the phone banking customers will need to follow voice prompts via their phones. This enables customers to; check their account balance, request for their transaction history, transfer between registered BSP Accounts only, request for a statement or pay bills.

#### 6. BillPay

Bill Pay is a payment service designed to help large companies manage their receipts. It is a convenient way for consumers to pay major household bills by telephone especially those who are very busy to physically go to the bank to do the entire task that is involved in paying of bills.

According to business, this service has the potential to reduce ongoing business costs such as rent, maintenance and utilities. It is a new service and gradually gaining acceptance.



Source: BSP WEBSITE

**How does it Work?**

The customer will need to follow voice prompts via their phones. The voice prompts are given as follows;

1. Call BSP Phone banking – 180 2888
2. Press 2 to speak to an operator to enroll for BillPay. Advise operator of account number from bill to be paid. This must be done once only for each separate biller.
3. Press 1 for account services. Put your BSP ID and PIN as prompted.
4. Press 4 for BillPay menu
5. Press 1 to pay a bill / Press 2 for a list of your Billers
6. Select account to make the payment from /Press 1 for savings/Press 2 for cheque
7. Input the Biller code from your bill and press #
8. Press 1 and then # if you have only one account with this biller/ if you have more than one account with Biller enter the required account number and the press #
9. Enter the amount to be paid and press # to confirm payment
10. Receive BillPay transaction reference number and then: Press 1 to make another payment

**7. Internet Banking**

Customers use internet banking for personal and business purposes. Internet banking is a banking system that connects computer networks all over the world. It gives a customer the possibility to do transactions on his/her account from the convenience of his/her home and at the work place. With internet banking, the customer can do the following; check his/her balance, view his/her transaction history, transfer funds to registered accounts with BSP and other banks, and pay your bills via Bill Pay.

**8. Visa Debit Card**

The Visa Debit Card can be linked to the kundu card and be used to purchase goods and services domestically as well as overseas. Purchasing goods and services will be possible anywhere the visa logo is accepted. It can also be used to make purchases on the internet.



Source: BSP WEBSITE  
Visa Debit Card

## 9. Payroll Services

KunduPei is an automated salary processing programme that enables customers to produce salary lists for direct credit to employee bank accounts. KunduPei takes away much of the manual processing required to process pays to bank accounts and it is a lot more cost effective.



### Activity 10. 3: Read and do the exercise below.

Choose a family member and describe how he or she receives their salary

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## Advantages and Disadvantages of the New Banking Systems

Bear in mind that the channels of banking are established for the benefits of the bank customers as well as the bank itself. Some disadvantages may be caused by technical factors and others may be created by the customers themselves. It is also the customers' careless attitudes and behavior or ignorance that makes what was intended to be a benefit to somehow have some disadvantages.

See the table below.

New Banking Systems	Advantages	Disadvantages
Kundu Card	<ul style="list-style-type: none"> <li>Available 24 hours a day, 7 days a week especially in Port Moresby ATMs</li> <li>gives access to the use of EFTPOS to pay goods and services</li> </ul>	<ul style="list-style-type: none"> <li>the card can be lost, stolen or broken</li> <li>the pin number can be forgotten and the card can be taken in by the ATM machine</li> <li>the pin number can be discovered and funds can be withdrawn</li> </ul>
Automatic Teller Machines – (ATM)	<ul style="list-style-type: none"> <li>Easy and convenient access to account information</li> <li>Convenient and cost effective way to withdraw cash and Top up mobile phone credits</li> <li>Easy to transfer funds between linked personal accounts and change pin number</li> </ul>	<ul style="list-style-type: none"> <li>Can run out of cash and will require waiting for it to be loaded with money</li> <li>Can be limited to certain amount of withdrawal</li> <li>Technical faults can stop machine from operating</li> <li>Fees charged</li> </ul>
Electronic Funds Transfer at Point Of	<ul style="list-style-type: none"> <li>Reduction of transaction costs and potential losses</li> <li>Improved cash</li> </ul>	<ul style="list-style-type: none"> <li>System down can fail the functions of EFTPOS</li> <li>Wrong money entries are</li> </ul>

Sales- (EFTPOS)	<p>management and cartage cost</p> <ul style="list-style-type: none"> <li>○ A secure way of accepting payment for goods and services</li> <li>○ Reliable and well supported EFTPOS network and hardware</li> <li>○ Seven day merchant support from a dedicated and well trained help desk service and technical staff</li> </ul>	<p>bound to happen with inexperience or new counter staff</p> <ul style="list-style-type: none"> <li>○ Fees charged</li> </ul>
SMS Banking/ Phone Banking	<ul style="list-style-type: none"> <li>○ Available 24 hours a day, 7 days a week</li> <li>○ Easy and convenient access to account information</li> <li>○ Do banking without visiting a branch or ATM</li> <li>○ Do your banking anywhere, at anytime</li> <li>○ A cheaper way to do your banking</li> </ul>	<ul style="list-style-type: none"> <li>○ the pin number can be discovered and the details of the account can be checked without you knowing</li> <li>○ losing the phone can cause a lot of inconvenience to the customer</li> <li>○ there has to be units available always in the phone in order to use the service</li> </ul>
Internet Banking	<ul style="list-style-type: none"> <li>○ Available 24 hours a day, 7 days a week</li> <li>○ Easy and convenient access to account information</li> <li>○ Do banking without visiting a branch or ATM</li> <li>○ Do your banking anywhere, at anytime</li> <li>○ A cheaper way to do your banking</li> <li>○ Pay your bills via Bill Pay</li> </ul>	<ul style="list-style-type: none"> <li>○ Inaccurate entries of figures and information can cause a lot of trouble for oneself</li> <li>○ Anyone out there in the world who has knowledge in ICT can get into the banking network system and try to lure customers to give in their account details. This person can steal from the customer.</li> </ul>
Visa Debit Card	<p>Very convenient for the customers to purchase goods and services domestically as well as overseas. It can also be used to make purchases on the internet.</p>	<ul style="list-style-type: none"> <li>○ the card can be lost, stolen or broken</li> <li>○ the pin number can be forgotten and the card can be taken in by the ATM machine</li> <li>○ the pin number can be discovered and funds can be withdrawn.</li> </ul>

**Summary:**

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You have come to the end of your lesson 10. In this lesson you learnt that:

- Banking technology is about doing banking electronically through the use of computers which are hooked onto the Information and Communication Technology Networking Systems that are used by the bank.
- There are new banking systems or channels in place. For example, the BSP customers use the following: Debit Card, eg Kundu card, Automatic Teller Machines – (ATM), Electronic Funds Transfer at Point Of Sales- (EFTPOS), SMS Banking, Phone Banking, Internet Banking, Visa Debit Card and Payroll Services

Each of these new banking systems have their advantages and disadvantages

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<b>NOW DO PRACTICE EXERCISE 10 ON THE NEXT PAGE</b>
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## Practice Exercise 10

1. What is a Kundu card?  
\_\_\_\_\_
2. What are the ATMs used for?  
\_\_\_\_\_
3. What are the EFTPOS used for?  
\_\_\_\_\_
4. What is a Visa Debit Card used for?  
\_\_\_\_\_
5. Complete these boxes below with the correct steps. The steps are jumbled so select carefully.

### SMS BANKING - STEPS IN CHECKING THE ACCOUNT BALANCE

Step 1	Step 2	Step 3
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

#### STEPS:

- SMS Banking responds with current account balance and currently available funds
- Key the word “Bal” followed by the account number to be queried  
Eg: bal 1000091707
- Send the text message to 16277

**CHECK YOUR ANSWERS AT THE END OF THE TOPIC 3**

## Lesson 11: Banking Procedures

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### Introduction

In lesson 10 you learnt about *New Banking Systems*. Banking technology is about doing banking electronically through the use of computers which are hooked onto the Information and Communication Technology Networking Systems that are used by the bank. The aim of the banking technology is to meet the increasing banking demands by individuals and businesses in this changing world and more importantly to make banking convenient and easy for the customers and the bank itself. In lesson 11, you will learn about the banking procedures



### Your Aims:

- Identify the procedures involved in opening a bank account
- Differentiate a deposit from a withdrawal slip
- Identify safety measures of bank accounts
- Fill up a deposit slip and write a withdrawal slip using given information

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Let us recap on the procedures involved in opening a bank account.

### Procedure in Opening a New Savings Account

There is a procedure involved in opening a new bank account. The procedure is simple. It can be illustrated through these steps:

#### 1. First pick a bank

This may be based on the bank's location. It may be on a route where you are able to travel to and from easily. Also, it may be based on the interest rates that the bank is offering.

#### 2. Visit the preferred bank

Tell the enquiry counter teller about opening a new account. You will be advised to produce all requirements that are needed for opening a new account. These requirements will cover the following;

- All person must be 18 years and older
- Documents that enable the bank to identify you specifically. These documents are; confirmation of employment letter, (if employed), marriage certificate, birth certificate, ID card, passport, driving license, education certificates, record of assessments and letter from your school principal ( if you are a student of 18 years and above) If you do not possess the above documents, and you are unemployed or reside in a rural area, then you need to obtain two references from known people in the community. Usually the bank will tell you where to obtain the reference letter. Once all these requirements are met, then, you are now qualified for step 3.

#### 3. Fill in the application

The bank teller will assist you to fill out an application form. In this form you are required to fill in all your necessary information such as name, date of birth, home address, employment address, if employed, contact numbers and most importantly is your signature.



#### 4. Pay minimum deposit required

You are required to pay a minimum deposit as expected by the bank. Different banks have their minimum deposits. Some ask for K20 and others ask for K50.

#### 5. Savings Accounts Become Operational

It takes only a few days for the new savings account to be created. Now a days, all ordinary savings accounts holders are issued with debit cards after two to three weeks only

So now you can do your depositing and withdrawing from your new account.

### Depositing and Withdrawing

Depositing and withdrawing are operations that are ongoing with the accounts of customers in the banks. Deposit means to put something in. Withdraw means to take out or away. In this case, we will say, depositing it is about putting money into your savings account and withdrawing is about taking money out of your savings account. There are two different slips or forms available in the banks for customers to use when they want to deposit or withdraw. To deposit money into your account, you should use a deposit slip. To withdraw money from your account, you should use a withdrawal form.

### A Deposit Slip

Here is a picture of a deposit slip taken from the Bank of South Pacific. It shows the following sections.

- The left side of the slip is the butt for the customer's record
- The right side of the slip contains the customer's information for the bank teller to enter and keep as the bank record
- The bank use only section is for the teller to indicate the number of the different amounts of money deposited. It should agree to the total of notes and coins.

### DEPOSIT SLIP

The left side of the slip,  
the butt

Bank use only

The right side of the slip

The form is titled "Bank South Pacific DEPOSIT SLIP". It is divided into three main sections:

- Left Side (Customer's Record):** Includes fields for DATE, ACCOUNT NAME, ACCOUNT NUMBER, and a Teller's Initial & Stamp area. A disclaimer states: "This Bank is not responsible for delays in crediting deposit to account".
- Middle Section (Bank Use Only):** Includes fields for ACCOUNT TYPE (Cheque, Savings, Loan), ACCOUNT NAME, ACCOUNT NUMBER, and a table for recording deposits by denomination (K100, K50, K20, K10, K5, K2, Coin). A disclaimer states: "This Bank is not responsible for delays in crediting deposit to account".
- Right Side (Customer's Information):** Includes fields for DATE, Notes, Coin, Cheque, and a large K area for the total amount.

Source: BSP WEBSITE

When filling out a deposit slip, you need to complete the following information in the butt as well as the right hand side section of the slip; account type, date, account name, account number, notes, coins, cheque and amount,

## A Withdrawal Slip

Here is a picture of a withdrawal form taken from the Bank of South Pacific. It shows the following sections;

1. The bigger section where the customer uses to fill in his/ her details
2. The Teller Use- Payment Specification

**WITHDRAWAL SLIP**

Teller Use – Payment Specification

**WITHDRAWAL**

**Account** (Tick appropriate box)  
☐ KunduSaver ☐ Passbook ☐ Achiever

Branch No.  Account No.

Account Name

Amount in Words

Signature(s) or Mark(s) and Keyword(s)  Teller

**Teller Use Payment Specification**

K100		
K50		
K20		
K10		
K5		
K2		
Coins		
S/Total		
Other		

Date

Final Balance

K

474-564

MOOSE 58543

Source: BSP WEBSITE

Customer's section to fill out his/her details

When filling out a withdrawal form, you need to complete the following information; date, account type, branch number, account number, account name, amount in words, amount in figures and signature.

Teller Use - Payment Specification is left to the bank teller to fill out. The bank teller fills it out accordingly to the request of the bank customer in how he/she wants his/her cash withdrawal to be paid to him/her.

## Completing a Deposit Slip and a Withdrawal Form

On the next page you will see a deposit slip and a withdrawal slip. They have been completed for you by using the information displayed below. This will help you to understand how these slips are filled up by bank customers.

Take note that other commercial banks such as ANZ and Wespac have their own designed deposit and withdrawal slips however, the procedure of filling them up is still the same.

### Information for deposit slip:

- Account Name: Moses Sina
- Account type: Savings
- Date: 23 / 2 / 12
- Account number: 10001666494
- Coins: K0.50
- Cheque: K500
- Notes: one (1) twenty kina note, one (1) ten kina note, one (1) two kina note
- Amount in figures: K532.50

Information for withdrawal slip:

- Account Name: Aron Amos
- Account type: Kundusaver
- Date: 26/2/12
- Account number: 1000178344
- Bulolo branch No. 8300
- Amount in words: Five thousand five hundred kina
- Amount in figures: K5500

Bank South Pacific		DEPOSIT SLIP	
DATE 23 / 2 / 12	ACCOUNT TYPE <input type="checkbox"/> Cheque <input checked="" type="checkbox"/> Savings <input type="checkbox"/> Loan	BANK USE ONLY	
ACCOUNT NAME Moses Sina	ACCOUNT NAME Moses Sina	DATE 23 / 2 / 12	
ACCOUNT NUMBER 10001666494	No. of Cheques 1	Notes 32,00	
Teller's Initial & Stamp K 532.50	This Bank is not responsible for delays in crediting deposit to account	Coin 0.50	
This Bank is not responsible for delays in crediting deposit to account	ACCOUNT NUMBER 10001666494	Cheque 500.00	
Proceeds of cheques etc. not to be available until collected		K 532.50	
461-595 (11/09)			

BSP		WITHDRAWAL	
Account (Tick appropriate box) <input checked="" type="checkbox"/> Kundusaver <input type="checkbox"/> Passbook <input type="checkbox"/> Achiever	Teller Use Payment Specification		Date 26 / 2 / 12
Branch No. 8 3 0 0	Account No. 1 0 0 0 1 7 8 3 4 4	K100	
Source: BSP WEBSITE		K50	
Amount in words: Five thousand five hundred kina		K20	
Signature(s) or Mark(s) and Keyword(s) A. Amos		K10	
Teller		K5	
		K2	
		Coins	
		S/Total	
		Other	
		K	
		Final Balance	K 5500
		K	
		461-595 (11/09)	

Completed Samples of a Deposit Slip and a Withdrawal Form

Having studied the two different forms, we will now do some practical exercises in filling out the two forms using given information in Activity 1, 2 and 3.

**Activity 11.1: Complete the Deposit Slip below.****Information:**

- Account Name: Jeremiah Miria
- Account type: Savings
- Date: 19/7/2016
- Account number: 1000191644
- Coins: K1.35
- Cheque: K324.50
- Notes: Five (5) one hundred kina notes, three (3) fifty kina notes, Six (6) twenty kina notes, Four (4) ten kina notes and Twelve (12) two kina notes
- Amount in figures: complete it yourself

Bank South Pacific		DEPOSIT SLIP	
DATE / /	ACCOUNT TYPE <input type="checkbox"/> Cheque <input type="checkbox"/> Savings <input type="checkbox"/> Loan	BANK USE ONLY	
ACCOUNT NAME	ACCOUNT NAME	DATE / /	
ACCOUNT NUMBER	No. of Cheques	Notes	
Teller's Initial & Stamp K	This Bank is not responsible for delays in crediting deposit to account	Coin	
This Bank is not responsible for delays in crediting deposit to account	ACCOUNT NUMBER	Cheque	
Proceeds of cheques etc. not to be available until collected		K	
461-595 (11/09)			



### Activity 11.2: Complete the Withdrawal Slip below.

#### Information:

- Account Name: Esther Aiba
- Account type: Kundusaver
- Date: 20/7/2016
- Account number: 1000188644
- Boroko Branch No. 8294
- Amount in words: two thousand five hundred kina
- Amount in figures: K2500

BSP		WITHDRAWAL	
<b>Account</b> (Tick appropriate box) <input type="checkbox"/> KunduSaver <input type="checkbox"/> Passbook <input type="checkbox"/> Achiever		<b>Teller Use</b> <b>Payment Specification</b>	
Branch No.	Account No.	K100	Date
		K50	/ /
		K20	
		K10	
		K5	
		K2	
		Coins	
		S/Total	
		Other	
Amount in Words		K	
Signature(s) or Mark(s) and Keyword(s)		Final Balance	
		K	



### Activity 11.3: Read and answer the question below.

Let us assume that the teller asks you how you would like your payment to be and you answered as;

- K2000 will be in one hundred kina notes
- K500 will be in fifty kina notes

Now try your best to complete the section of the Teller Use Payment Specification by indicating the number of K100 notes and K50 notes.

Teller Use Payment Specification		
K100		
K50		
K20		
K10		
K5		
K1.00		
K2.00		
Coins		
S/TOTAL		
OTHERS		
K		
FINAL BALANCE		
K.		

**Safety Measures of Bank Accounts**

Take note that now a days all ordinary savings accounts holders are issued with debit cards. Each of the commercial banks have their own customer's debit cards. For example, the Bank South Pacific (BSP) calls their debit cards as *Kundu Card*, ANZ bank calls theirs as *Access Card* and Wespac Bank calls their as *Handy Card*.

For example of a safety measure notice the one for the BSP customers below.

If your Kundu Card is lost or stolen please notify BSP immediately so that stop can be placed on the card ( call BSP's Call Center on 1801212). You can report your card and place an order for a new card at your nearest BSP branch.

You, as the bank customer need to keep your PIN Number and Security Details secret. You must not disclose your PIN Number or Security Details to any other persons. If your debit card issued to you by your bank is lost, stolen or misplaced you must advise your bank immediately so that your bank can put a stop to the card. Your bank will not be liable for any losses incurred prior to you notifying them.

To protect your account, some banks have placed a daily limit of withdrawals at the ATMs and the EFTPOS. For example, Bank South Pacific (BSP) has placed a daily limit of K3000 on cash withdrawals at ATMs and a daily limit of K15 000 when purchasing goods using an EFTPOS.

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**Summary:**

You have come to the end of your lesson. In this lesson you learnt that:

- There is a procedure involved in opening a new savings account.  
These procedures are as follows;
  1. First pick a bank.
  2. Visit the preferred bank.
  3. Fill in the application.
  4. Pay minimum deposit required
  5. Savings Account Becomes Operational
- Depositing is about putting money into your savings account and withdrawing is about taking money out of your savings account.
- A deposit slip has three sections;
  1. The left side of the slip is the butt for the customer's record
  2. The right side of the slip contains the customer's details for the bank teller to enter and keep as the bank record
  3. The Bank Use Only Section is for the teller to indicate the number of the different amounts of money deposited. It should agree to the total of notes and coins.
- A withdrawal slip has two sections;
  1. The bigger section where the customer uses to fill in his/ her details
  2. The Teller Use- Payment Specification.
- When filling out a deposit slip, you need to complete the following information; account type, date, account name, account number, notes, coins, cheque and amount in figures,
- When filling out a withdrawal form, you need to complete the following information; date, account type, branch number, account number, account name, amount in words, amount in figures and signature.
- Now adays all ordinary savings accounts holders are issued with debit cards.
- You as the bank customer need to keep your PIN Number and Security Details secret. You must not disclose your PIN Number or Security Details to any other persons.
- If your debit card issued to you by your bank is lost, stolen or misplaced you must advise your bank immediately so that your bank can put a stop to the card.
- To protect your account, banks have placed a daily limit of withdrawals at the ATMs and the EFTPOS.

**NOW DO PRACTICE EXERCISE 11 ON THE NEXT PAGE**

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## Practice Exercise 11

1. Differentiate a deposit slip from a withdrawal slip.

2. Complete this Deposit Slip using the given information.

- Account Name: Caleb Ikupu
- Account type: Savings
- Date: 23 / 8 / 2016
- Account number: 10001826477
- Coins: K1.75
- Cheque: K231.50
- Notes: Three (3) one hundred kina notes, two (2) fifty kina notes, Four (4) twenty kina notes, Four (4) ten kina notes and Five (5) two kina notes
- Amount in figures: complete it yourself by adding all the notes, coins and cheque.

Bank South Pacific		DEPOSIT SLIP	
DATE	/ /	ACCOUNT TYPE	<input type="checkbox"/> Cheque <input type="checkbox"/> Savings <input type="checkbox"/> Loan
ACCOUNT NAME		ACCOUNT NAME	
ACCOUNT NUMBER		ACCOUNT NUMBER	
Teller's Initial & Stamp	K	No. of Cheques	
This Bank is not responsible for delays in crediting deposit to account		This Bank is not responsible for delays in crediting deposit to account	
Proceeds of cheques etc. not to be available until collected		BANK USE ONLY	
		K100	
		K50	
		K20	
		K10	
		K5	
		K2	
		Coin	
		K	
		Notes	
		Coin	
		Cheque	
		K	

3. Complete this Withdrawal Form using the given information.

- Account Name: Shalomite Aku
- Account type: Kundusaver
- Date: 31/11/2016
- Account number: 1000966845
- Kainantu branch No. 8321
- Amount in words: three thousand two hundred kina
- Amount in figures: K3200

BSP		WITHDRAWAL	
Account (Tick appropriate box)		Teller Use	
<input type="checkbox"/> KunduSaver	<input type="checkbox"/> Passbook	Payment Specification	
Branch No.	Account No.	Date	
		/ /	
Account Name		K100	
Amount in Words		K50	
		K20	
		K10	
		K5	
		K2	
		Coins	
		S/Total	
		Other	
Signature(s) or Mark(s) and Keyword(s)		K	
Teller		Final Balance	
		K	

**CHECK YOUR ANSWERS AT THE END OF THE TOPIC 3**

## Lesson 12: Cheque Account



### Introduction:

Welcome to Lesson 12. In lesson 11 you learnt about depositing and withdrawing and also you differentiated a deposit slip from a withdrawal slip. This will enable you to write up both slips. Finally, you discussed what to do in order to keep your bank's accounts safe. In lesson 12, you will learn about cheque account



### Your Aims:

- Define cheque account
- Identify parts of a cheque and its features
- Identify the parties to a cheque
- Discuss the cheque safety measures
- Write up a cheque using the given information

### What is a Cheque Account?

A cheque account is also known as a current account. The money in this type of account is always on the move. Cheques are used to withdraw and transfer money from this type of account. A cheque is a specially printed order form. The account holder writes an order on this form which tells the bank to pay a certain sum of money to another person or an account. The written order is a legal document and a form of money.

### Parts of a Cheque

A full cheque consists of two parts.

1. One part is filled in and given as payment to another person or is cashed by the bank. It is known as a **cheque leaf or form**.
2. The other small part is kept by the account holder as a record. It is called the **cheque butt**. This part remains in the cheque book.

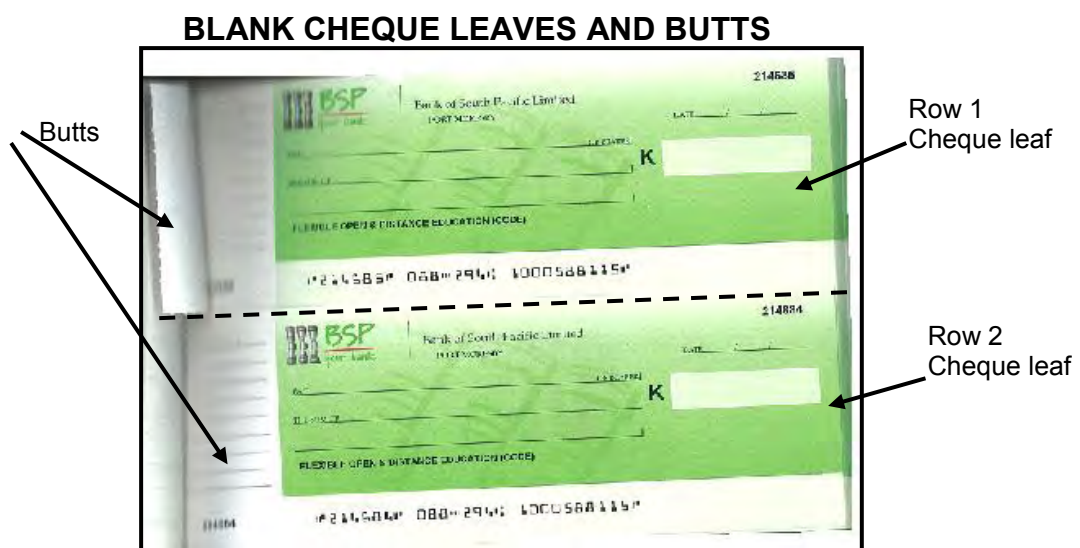


Fig 1: Shows a cheque book with two (2) rows of cheque leaves

When the account holder writes out a cheque, the details are also written onto the cheque butt. A cheque butt will provide information about the amount of money left in



the account after payments have been made that day. A business will also be able to fill in the daily records from the information in the cheque butts.

Here is an example of a completed Cheque leaf and its butt.

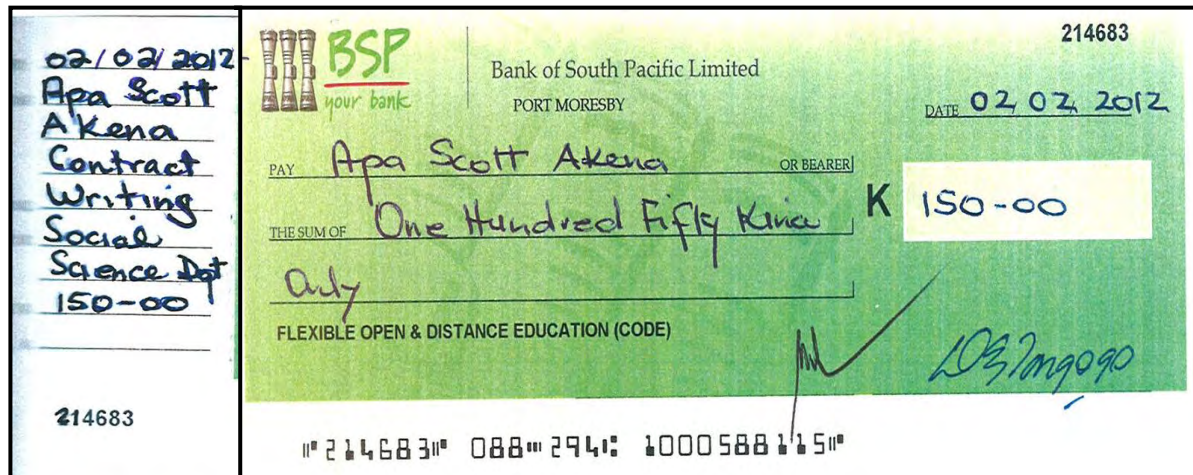


Fig 2: A cheque of K150 is raised on the 2<sup>nd</sup> February, 2012 for a Social Science Contract Writer

Source: FODE

### The Parties to a Cheque

A person who operates a cheque account may write a cheque ordering the bank to pay a sum of money to another person. When a person writes out a cheque there are usually three people involved in that cheque. These people are called **parties**.

The parties to a cheque are;

1. The drawer - the account holder (FODE) who writes out and signs the cheque
2. The drawee - the bank in which the account is maintained. This bank pays the sum of money written on the cheque by the drawer.
3. The payee - the person who receives the money

Study this completed cheque leaf below. The three parties to the cheque shown in the example are;

**Drawer** – FODE is the drawer- Mr. Demas Tongogo and Mr. Sam Balik, are signatories to the account) both of them signed the cheque.

**Drawee** - Bank South Pacific Limited, Port Moresby

**Payee** - Apa Scott Akena

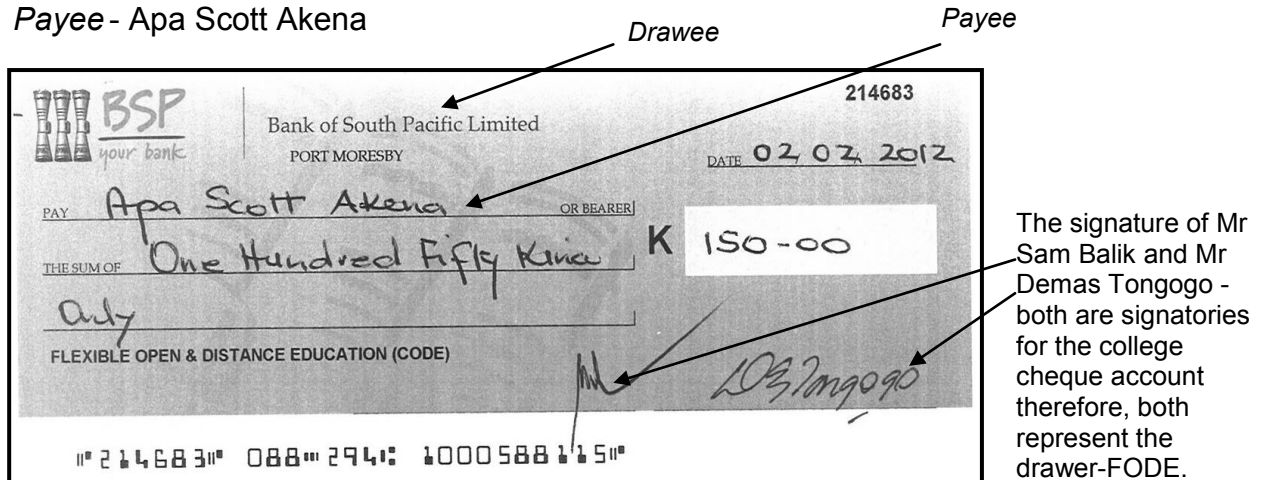


Fig 3: Shows the three (3) parties to a cheque

Source: FODE

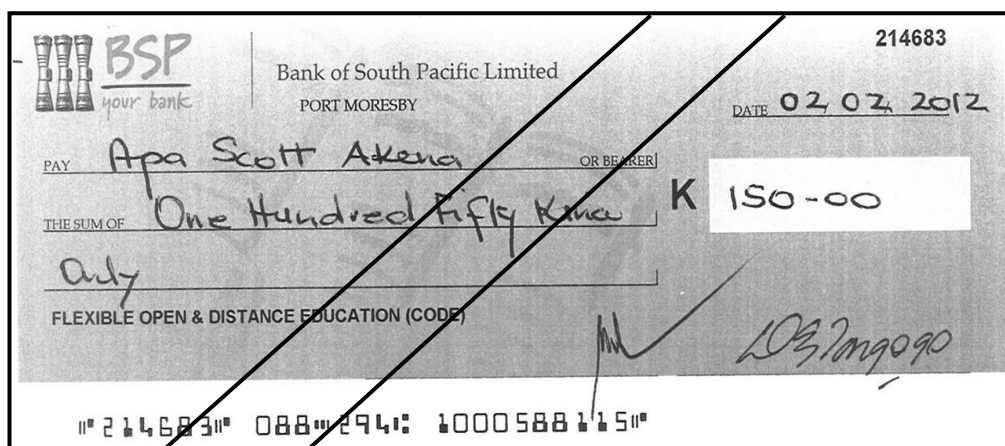
## Cheque Safety Measures

We will discuss two different ways that are used to make a cheque safe. These are;

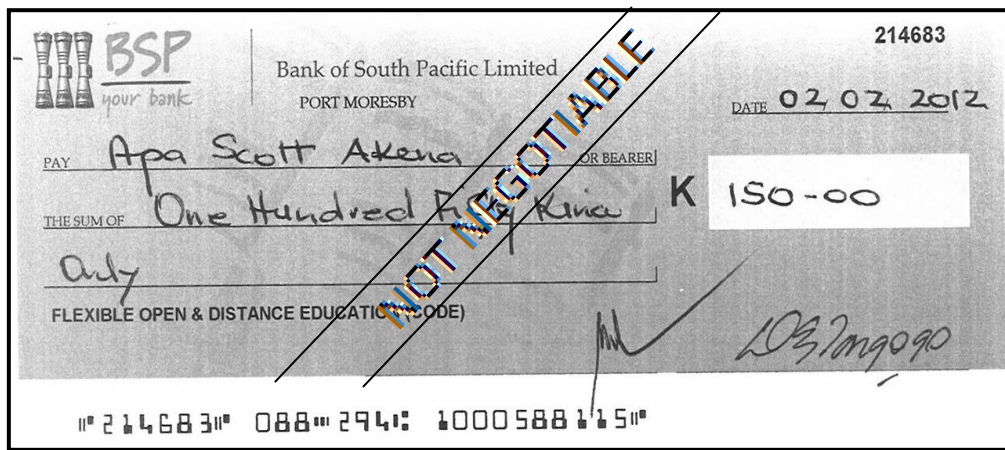
1. Crossed Cheque
2. Not Negotiable Cheque

### What is a crossed cheque?

A crossed cheque is a cheque that has two parallel lines drawn across the face of a cheque. This is an instruction to the bank which means **“not to pay cash”** over the counter. The words “not negotiable” are sometimes written inside the crossing. Crossed cheques are safer than open cheques because crossed cheques cannot be cashed over the counter in a bank. Crossed cheques have to be deposited into a bank account of the person who receives them. Crossing a cheque prevents frauds. If a crossed cheque goes into the wrong hands and is paid by the bank, the drawer can find out from the bank to whose account the money was paid.



Shows a crossed cheque



Shows a crossed cheque

Source: FODE

Not negotiable simply means that the cheque can only be paid in to a bank account in order to access the money. This feature is put in a cheque to avoid it from been stolen. Also when this feature is done on a cheque it is banked straight away into the payee's bank account.

### What is a Dishonoured Cheque?

There are situations when banks may refuse to cash or pay cheques. If a cheque is refused for payment by the bank it is called a **dishonoured cheque**. The reasons for the refusal of payment are:

1. The account holder does not have enough money in the account to pay the cheque
2. The drawer has died or has become bankrupt
3. The cheque is out of date. It is said to be **stale**.
4. The drawer has asked the bank to **stop payment** on the cheque
5. The account holder stops payment for cheques that have been lost

A dishonoured cheque is returned to the payee usually with a remark „refer to drawer“ if the cheque was dishonoured for lack of funds. Such cheques will have the initials „NSF“ which means Not Sufficient Funds.

### Writing up a Cheque

Having studied the parties to a cheque and safety of a cheque, we will now do some practical exercises in filling out a cheque using given information in Activity 12.1.



#### Activity 12.1: Complete the cheque form below using the given information.

##### Information:

Payee – Nancy Unavi for contract writing of Science lessons, on the 3<sup>rd</sup> of March, 2016. The sum of – One thousand seven hundred kina

Drawer – Mr. Demas Tongogo and Mr. Sam Balik have already signed on the cheque. Remember, they are both signatories to the College Cheque Account.

You should also complete the *Amount in Figures* for Nancy Unavi.

The image shows a sample of a BSP (Bank of South Pacific Limited) Flexible Open & Distance Education cheque. The cheque is dated 21/02/2012 and is payable to K. The amount is K 214684. The cheque is signed by the payee. The source is FODE.

Source: FODE



### Activity 12. 2:

After you complete Activity 1 (a), you should move on to write up its butt. Remember, a cheque butt is the part that remains in the cheque book after cheques have been written and paid out.

### Reconciling a Bank Statement against a Cheque Butt

All cheque holders have a record of transactions for each month and it is all shown in their bank account. While on the same matter, that same record is produced by the bank at the end of the month and it is called the bank statement or a statement of account.

To reconcile (make agree the records) a Bank Statement against a cheque butt means, we will have to engage in a practical activity to show how it works. Here is the practical activity.

Since we have been using Flexible Open and Distance Education cheques, let us say that Flexible Open and Distance Education made several transactions during the month. Among all those transactions, four (4) transactions were for the purpose of paying for Business Studies Department Contract Writers. Below are the cheque butts as displayed.

28 / 02 / 2012	28 / 02 / 2012	28 / 02 / 2012	28 / 02 / 2012
EVERLYN ONTONO	ANDALE IPATA -	WAPSON LARA -	JANET GIRUA-
Contract Writing for Business	Contract Writing for Business	Contract Writing for Business	Contract Writing for Business
Studies Department	Studies Department	Studies Department	Studies Department
K 600	K800	K800	K800
214685	214686	214688	214687

Records on Cheque Butts for Business Studies Department Contract Writers

Mr Sam Balik, the College Accountant, then picks up the Bank Statement or statement of account from the BSP Bank, Port Moresby at the end of the month. He checks and ticks off the butts as they show on the Bank Statement or Statement of Account. He will tick off if the same amount appears on the bank statement. If it shows that the payee got his or her money from the banks. See the ticks that Mr Sam Balik did on the statement below.

**Note:** The figures for balance and subsidies/fees are made up. They are used just to show you how it will look like in the bank statement or statement of accounts of FODE. Also, the bank statement or the statement of account will continue to the last day of February, 2012. You should also take note that the statement will display all the transactions that took place in the month of February for FODE.

Statement of Account				
Date	Particular	Debit	credit	Balance
February 1	b/f			450,000
2	214685✓	K600		449,000
	214686✓	K800		448,600
	214687✓	K800		447,800
	214688✓	K800		447,000
	Subsidies/fees		K3000 000	747,000
3	214689			
	214690	K 10 000		737,000
	214691	K 900		736,100
	214692	K 5000		731,100
		K 3000		728,100

If the cheque did not appear on the statement of account then if there were deposits made then they must be added and if there were cheque payments then they ought to be subtracted from the total running balance.



### Activity 12.3: Read and answer the following questions.

What are the advantages of operating a cheque account?

How did you go with your activity 12.3? Below is what I have which you can compare with your answer.

The advantages of operation a cheque account are:

- there is no need to carry cash
- it is easy to make payments to the correct party
- the account holder can pay in any denomination, there is no changing problem
- it provides a record of all payments made by cheques

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**Summary:**

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You have come to the end of your lesson. In this lesson you learnt that:

- A cheque account is also called a current account. The money in this type of account is always on the move.
- A cheque is an order written by an account holder to the bank instructing it to pay money to another person from the account.
- A cheque is a legal document and a form of money, but is not legal tender.
- There are two parts to a cheque; the cheque form and the cheque butt.
- The cheque butt is the part kept by the account holder as a personal record.
- There are three parties to a cheque; the drawer, the drawee and the payee
- A crossed cheque consists of two parallel lines drawn across the face of a cheque.
- A dishonoured cheque is a cheque refused for payment by the bank and returned to the payee.
- The words “refer to drawer” and/or Not Sufficient Funds(NSF) is usually written on a dishonoured cheque, when there is not enough money in the account.
- Reconciling a Bank Statement against the cheque butts is done by simply ticking of the transactions as they appear on the Bank statement while at the same time referring to the butts in the

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<b>NOW DO PRACTICE EXERCISE 12 ON THE NEXT PAGE</b>
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## Practice Exercise 12

1. Why is a cheque account also referred to as a current account?

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2. What is a cheque?

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3. What is a crossed cheque?

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4. Use the following information to fill in the cheque form below and answer questions (a) to (d)

(a) Mr Sam Balik and Mr Demas Tongogo wrote a cheque of K 3 000 to Mr Freddy's Roast Pork, on the 3<sup>rd</sup> of February, 2012. Mr Sam Balik crosses the cheque to make it safe.

(b) Name the parties given on the cheque which you have just completed above:

- Payee \_\_\_\_\_
- Drawee \_\_\_\_\_
- Drawer \_\_\_\_\_

(c) Can this cheque be cashed by anyone over the bank counter? Write down the reason for your answer

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**CHECK YOUR ANSWERS AT THE END OF THE TOPIC 3**

# **ANSWERS TO TOPIC 3 PRACTICE EXERCISES**



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## Answers To Practice Exercises 9-12

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### Practice Exercises 9

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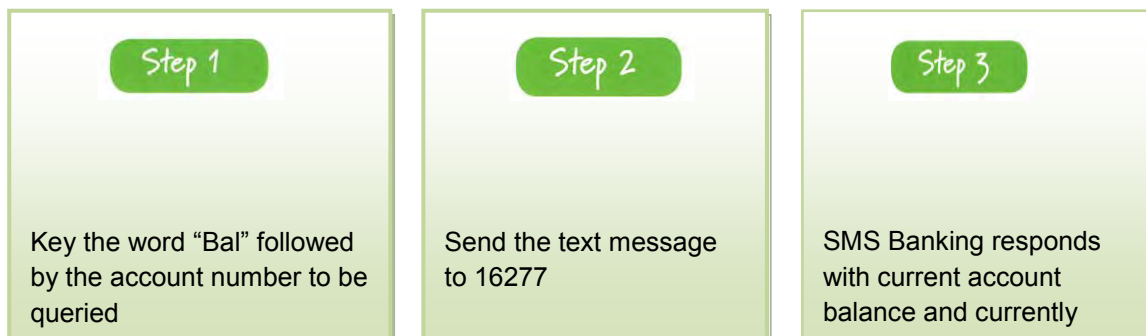
1. Saving is putting something aside like money or food for later use or for rainy days.
2. A savings account is one that you may save and withdraw money in smaller amounts using your debit card or by doing a manual withdrawal at the counter. A cheque account is one that one has to sign cheques to pay for goods and services.
3. Saving regularly help pay for expensive items, make irregular payments, old age, meet goals and family obligations.
4. A debit card is a special card that is linked to a bank account that can be used to access cash or purchase goods and services and one must have cash before they can use it. Credit card is also a small card that enables one to spend money without having anything in your card, it is like a loan.
5. A cheque is made safe by doing these two things; (a) draw two parallel lines cross the face of the cheque from the top to the bottom, (2) write the phase "Not Negotiable".

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### Practice Exercise 10

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1. A Kundu Card is a debit card that gives you access to EFTPOS and BSP's network of ATMs throughout the country.
2. - Check your account balance
  - Withdraw cash
  - Transfer funds between linked personal accounts
  - Top up mobile phone credits
  - Change your pin number
  - Obtain a mini statement showing your last ten transactions
3. Paying for your goods and services electronically
4. The Visa Debit Card can be linked to the kundu card and be used to purchase goods and services domestically as well as overseas.
5. **SMS BANKING - STEPS IN CHECKING THE ACCOUNT BALANCE**



## Practice Exercise 11

### 1. A deposit slip

- A deposit slip has three sections
- The right side of the slip contains the customers information for the teller to enter and keep as a bank record. The information you will find are; Account Name, Account type, Date: Account number, Coins, Cheque, Notes and Amount in figures
- The left side of the slip is the butt. It contains the following information; Account Name, Account number, Date, Amount in figures
- The bank use only section is completed by the bank teller.
- A deposit slip is used to put money into the savings account

### A withdrawal slip

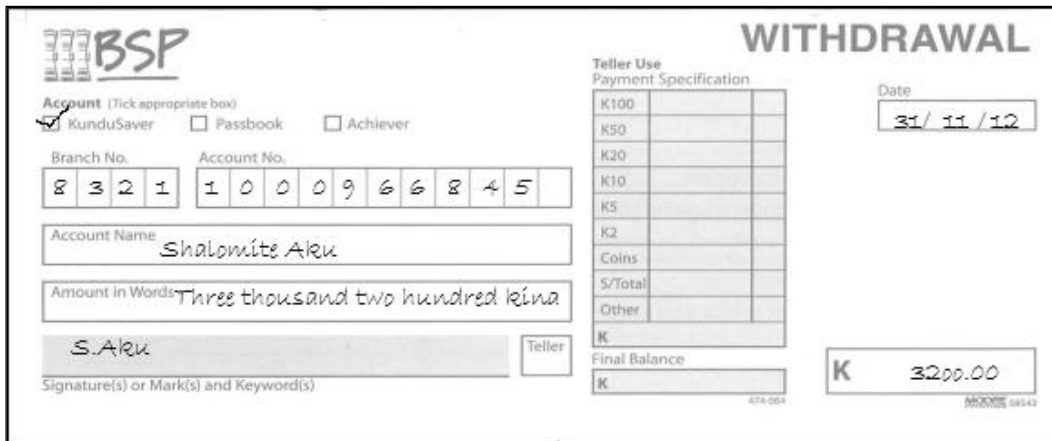
- A withdrawal slip has two sections
- The bigger section is where the customer fills his/her details. The following are the details he/she completes; Account Name, Account type, Date, Account number, bank branch, Amount in words, Amount in figures,
- Teller Use Payment Specification – the teller fills this section based on the customer's request of how he/she wants the payment
- A withdrawal form is used to take money out of the savings account.

### 2. Complete this Deposit Slip using the given information.

- Account Name: Caleb Ikupu
- Account type: Savings
- Date: 23 / 8 / 2012
- Account number: 10001826477
- Coins: K1.75
- Cheque: K231.50
- Notes: Three (3) one hundred kina notes, two (2) fifty kina notes, Four (4) twenty kina notes, Four (4) ten kina notes and Five (5) two kina notes
- Amount in figures: complete it yourself by adding all the notes, coins and cheque

Bank South Pacific		DEPOSIT SLIP	
DATE 23 / 8 / 12	ACCOUNT TYPE <input type="checkbox"/> Cheque <input checked="" type="checkbox"/> Savings <input type="checkbox"/> Loan	BANK USE ONLY	
ACCOUNT NAME Caleb Ikupu	ACCOUNT NAME Caleb Ikupu	K100	
ACCOUNT NUMBER 10001826477	No. of Cheques 1	K50	
Teller's Initial & Stamp K	ACCOUNT NUMBER 10001826477	K20	
This Bank is not responsible for delays in crediting deposit to account	461-595 (11/09)	K10	
Proceeds of cheques etc. not to be available until collected		K5	
		K2	
		Coin	
		K	
		Notes	530.00
		Coin	1.75
		Cheque	231.50
		K	763.25

3.



**BSP** **WITHDRAWAL**

Account (Tick appropriate box)  
☒ Kundsaver ☐ Passbook ☐ Achiever

Branch No. 8321 Account No. 1000966845

Account Name Shalomite Aku

Amount in Words Three thousand two hundred kina

S. AKU Teller

Signature(s) or Mark(s) and Keyword(s)

Teller Use  
 Payment Specification  
 K100 ☐ K50 ☐ K20 ☐ K10 ☐ K5 ☐ K2 ☐ Coins ☐ S/Total ☐ Other ☐

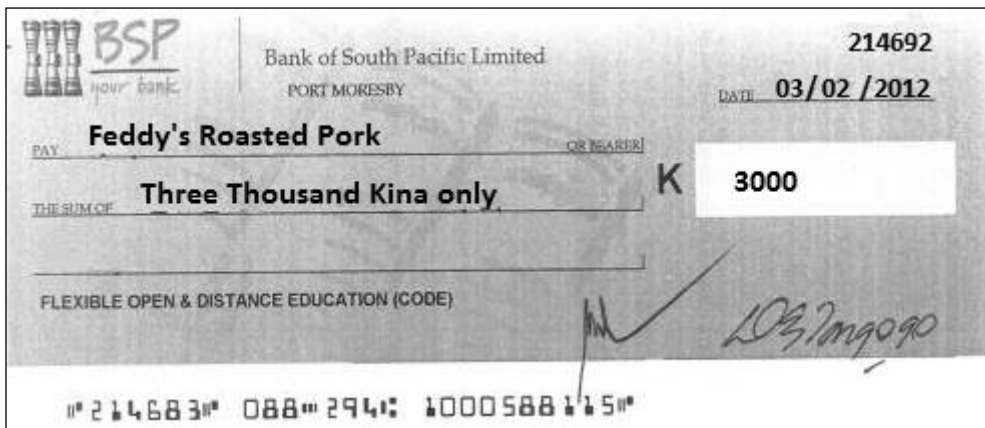
Date 31/11/12

Final Balance K 3200.00

- Account Name: Shalomite Aku
- Account type: Kundsaver
- Date: 31/11/2012
- Account number: 1000966845
- Kainantu branch No. 8321
- Amount in words: three thousand two hundred kina
- Amount in figures: K3200

## Practice Exercise 12

1. A cheque account is also referred to as a current account because money in this account is always on the move.
2. A cheque is a specially printed form on which the customer writes an order to the bank to pay a sum of money from his/her account.
3. A crossed cheque has two parallel lines drawn across its face.
- 4.



**BSP** **Bank of South Pacific Limited**  
 PORT MORESBY

214692  
 DATE 03/02/2012

PAY **Feddy's Roasted Pork** OR BEARER

THE SUM OF **Three Thousand Kina only** **K 3000**

FLEXIBLE OPEN & DISTANCE EDUCATION (CODE)

214683 088 294 1000588 115

- (a)
- **Payee:** Feddy's Roasted Pork
  - **Drawee:** Bank of South Pacific Limited, Port Moresby
  - **Drawer:** Mr Sam Balik and Mr Demas Tongogo, both are signatories to the college

(b) No

The cheque is crossed which is an instruction to the bank not to pay cash to any one over the counter. Feddy has to deposit this cheque into his cheque account, savings account, achieves account, bonanzer account, or school fee account



## **TOPIC 4**

### **BORROWING MONEY**

## **TOPIC 4: Borrowing Money**

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Topic 4- Borrowing Money. The Consumer is borrowing money to buy goods and services. In this topic you will study the consumer using borrowed money to pay for goods and services. Some things in the future cannot be predicted so credit arrangement will be affected which may alter the saved funds to pay for the loan. A wise consumer will still manage well even when difficult circumstances happen. The skills learnt in this topic will enable consumers to be conscious of their credit spendings.

### **Lesson 14: Why Borrow Money**

Involves defining borrowing, reasons for borrowing plus the requirements for borrowing and finally the advantages and disadvantages of borrowing.

### **Lesson 15: Loans**

Involves defining loans, identify the different types of loans and finally the conditions of lending money.

### **Lesson 16: Obtaining a Personal Loan**

Involves analysing a personal loan application and a hands on practice in writing or applying from one using given information.

### **Lesson 17: Consumer in Debt**

Involves defining debt, identify factors that cause a consumer to get into debt, the consequences of debt and finally but not the least the possible solution to overcoming debt.

## Lesson 13: Why Borrow Money?

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### Introduction:

Welcome to Grade 9 Business Studies lesson 13. This lesson provides basic answers to the question 'Why Borrow Money'. When a person needs more money to buy goods or services that cost more, he/she will borrow so that it will be paid back in later.



### Your Aims:

- Define borrowing
  - Discuss the reasons for borrowing
  - Identify the requirements for borrowing
  - Identify the advantages and disadvantages of borrowing
- 

### What is borrowing?

Borrowing basically means taking something from someone under the condition that you are to pay (give) back with extra at/on the agreed date. That is, someone lends you something (especially money) and you are required to pay it back with interest later.

For example, John Mari needs a blue pen to write a letter to his brother in the village. He has only a black and a red pen so he decides to borrow a blue pen from his friend Mark Mann will return it later. Or if John Mari wants to buy a .20t ice-block but he left his money back in the classroom, he decides to ask .20t from Mark Mann. He will repay the .20t later when they go back into the classroom. Mark Mann can later ask for an extra .20t from his friend in return for that favour. This is borrowing in its simplest form.

Today, there are a lot of people who sell money (loan sharks) outside the formal banking institutions. The people who borrow from them are expected to repay this money mostly within weeks or a time agreed to between them. This money is given with an understanding that when the time is up it will be paid back with extra and the amount is specifically noted and agreed to by the borrower.

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### Activity 13.1: Read and answer the question below

(1) What is borrowing in your own words?

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(2) Give an example of a situation where you will borrow something from your relative.

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**Reasons for borrowing money**

People cannot always satisfy their needs and wants with how much money they have on hand and how much they have saved. As time goes by, you might need more money to meet your immediate needs or your money that is saved may not be enough to sustain you in the long run. For instance, your child at school maybe chased out of class due to non-payment of outstanding school fees and you have no money at hand or in your savings, so you consider borrowing.

There are many reasons for people to borrow money, depending on their needs and wants. The most common reasons for people borrowing money are;

- Educational purposes – e.g. school fees
- Emergency purposes – e.g. health treatment
- Holiday purposes – e.g. Christmas Travel
- Social Events – e.g. Wedding or bride-price payment
- Household improvement – e.g. home furniture or TV set
- Accommodation – buy new house
- Setting up small businesses – J Kaki's piggery project

Some reasons for borrowing money represent wants while others represent needs. Because borrowing money comes at a cost it is wise to decide the reasons for borrowing. Wise people always borrow money to pay for essential items such as school fees, food, housing and emergencies.

To get your child back to school, the only way is to borrow money and pay off the outstanding fees. You can either borrow money from someone closest to you or some other people who are willing to lend you money. Such people may include: family members, market traders, work mates, family friends, business people etc.

Thus, people borrow money when they do not have enough money to meet their needs and wants at a given time. When you have borrowed money, you owe that amount of money you borrowed. This is the amount plus interest you have to repay on the agreed date

**Activity 13.2: Read and answer the question below**

(a) State in a short paragraph, the main reason why people borrow money?

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(b) Name any three closest people whom you will easily borrow money from when you need it.

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

(iii) \_\_\_\_\_



- (c) If the reasons for borrowing money depend on the needs and wants of one borrower, then explain what his likely needs and wants are. Explain and provide three (3) examples for each.

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### **Requirements for Borrowing**

The lenders such as banks may not just lend you money without you meeting their requirements. The businessman may wish to borrow K10, 000.00 and is willing to pay the amount borrowed as well as an interest required within a period of time agreed to by the borrower and the lender.

However, before lending the money to a business the bank will want to know;

- (a) the type of business,
- (b) the reason for the loan,
- (c) the amount to be borrowed,
- (d) how the money is to be repaid,
- (e) the terms of the loan,
- (f) What security can be offered?

On the other hand, the borrowers should assess themselves too. The areas in which borrowers should assess themselves in is by asking the following questions before borrowing the money.

- Do I really need it?
- Do I want it?
- Can I afford the repayments ?
- Do I have the discipline to make payments?

Answering the above questions can help the potential borrowers to decide if he or she is ready to borrow money. One useful tip is to start with a saving plan before taking out a large loan. By starting a plan, one can know if future loan repayments can be made easily. The savings plan will show the credit provider or lender that the borrower is able to pay back the loan. A healthy (good) savings will mean that when a person is ready to borrow, he or she will not need to borrow so much money.

**Activity 13.3: Read and answer the questions below.**

(a) Before lending money to a borrower, a lender (e.g. a bank) may wish to know you personally. The first one is done for you so do likewise for the rest.

- i. the type of business: **trade store or hire car business**;
- ii. the reason for the loan: \_\_\_\_\_
- iii. the amount to be borrowed: \_\_\_\_\_
- iv. how the money is to be repaid: \_\_\_\_\_
- v. the terms of the loan: \_\_\_\_\_
- vi. what security can be offered: \_\_\_\_\_

(b) How can a borrower show that he/she can repay the money borrowed?

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**Advantages and Disadvantages of Borrowing Money**

There are advantages (good things) and disadvantages (bad things) in borrowing money. Taking into consideration the things that are discussed above, advantages and disadvantages of borrowing depend on your decisions. Decisions relate to why money is borrowed and how the borrowed money is managed to repay the loan.

If you fail to pay back the money that is borrowed, then you owe the person or business that you borrowed from. The money that you fail to pay back including the interest on the borrowed money is referred to as a **debt**. Before going any further, we will all discuss this question.

Do you think the debts (dinao) affect the quality of life? Yes ☐ or No ☐

Debts or borrowed money can have a negative effect on the quality of life. There is an increasing concern in the country today in which many people find themselves with unrepayable cycle of debt. This is a situation where someone borrows in order to pay an existing loan. Many working class people borrow from lending agencies who charge very high interest on the amount of money borrowed (principal amount). The loan repayment period is usually over a fortnight.

Because of the high interest rates, the borrower finds that most of his or her fortnight income goes towards repaying the existing loan. This situation causes the customers to borrow again to meet other expenses. The cycle of borrowing can be avoided if people are wise to avoid borrowing in the first place.

The table below shows two advantages and two disadvantages of borrowing money.

No	Advantages of Borrowing	Disadvantages of Borrowing
1	More money to use	Repay with interest on the loan
2	Can expand existing business	Will work to repay the money



**Activity 13.4: Read and answer the question below**

(a) What is a debt in business? Give an example, if you can.

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(b) What is an interest payment on an amount of money that has been borrowed?

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**Summary:**

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You have come to the end of Lesson 13. You have learnt that

- The reason for borrowing money depends on the needs and wants of the respective borrower.
- Borrowing basically means taking something from someone under the condition that you are to pay back with something extra when the time is due.
- The size of the loan depends on the scale of business operations, eg big businesses need more money where as small business need less money.
- Lenders only agree to lend money to borrowers when the requirements are met by borrowers and that they are willing to pay back at a given interest rate over an agreed period of time.
- The potential borrowers should come up, with a saving plan before taking out any loan, because this savings plan will show the credit provider that the borrower is able to repay.
- Most people start saving before they borrow from lending individuals or lending agencies.
- Advantages and disadvantages of borrowing depend on your decisions on where to use money and how to use it.
- When there is a high interest rate charged on money borrowed, it becomes difficult to pay back the money within the agreed time period.

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<b>NOW DO PRACTICE EXERCISE 13 ON THE NEXT PAGE</b>
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### Practice Exercise 13

1. One function of money is that it is a '*means of settling debt*'. Explain what this means in your own words.

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2. John Mik from Tari borrowed K1000.00 from Pau Kak. He died of sickness without paying the money back. Discuss with your friend what will happen to Pau Kak's money that was never repaid.

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3. When borrowing you must always be a wise borrower. Explain how you would be a wise borrower.

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4. If you have failed to pay back the money that you borrowed earlier from a bank, how can you convince the bank to borrow some more money from them?

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5. State at least three (3) advantages and disadvantages of borrowing money.

(Use the table below)

No	Advantages of Borrowing	Disadvantages of Borrowing
1		
2		
3		

**CHECK YOUR ANSWERS AT THE END OF TOPIC 4**



## Lesson 14: Loans

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### Introduction

Welcome to lesson 14. In lesson 13 you learnt about reasons for borrowing money, the requirements one has to meet when they want to borrow and the advantages and disadvantages of borrowing money. You specifically learnt what borrowing is, and the reasons people borrow, the commitment taken, whether for five years or twenty years. You may borrow from a bank, finance company, individuals or friends and relatives. In this lesson you will study loans.



### Your Aims:

- Define Loans and discuss the purpose
  - Identify the types of loans
  - Discuss the lending conditions
- 

### What is a loan?

A loan is money lent on condition that it is repaid, either in installments or all at once, on agreed dates and usually the borrower pays the lender an agreed rate of interest. Normally a loan is repaid on a monthly basis but, quarterly or even half yearly payments can be arranged especially on business loans and fortnightly for individuals. Getting personal loans is especially for persons who are employed. You will see that a credit worthy customer will get better terms, such as a lower interest rate than someone who may be a risk. A written agreement is made as a legal binding between the lender and the receiver and borrower for as long as the loan can be.

### Who Provides Loans?

Loans are provided by commercial banks, finance companies, life insurance companies, easy money lending schemes and friends and wantoks. Money lenders can be formal or informal. Informal lenders are very useful sources of loans to ordinary Papua New Guineans who are turned away by the formal lending institutions. Easy money schemes are flexible with their lending and allow customers any time to borrow but the interest charged are very high, even higher than the formal institutions.

People can borrow from friends and wantoks. If a close family member needs money immediately he or she can borrow from a family member and repay the principal later. Some may charge interest even to family members.

Payday loans are especially to cover for a short time, most for a period of two weeks or the next payday. These loans range from K20 to K500 and their interest ranging from 20 to 50 percent based on principal. Some payday lenders require their customer's recent payslip and for some their bank cards especially when they borrow an amount which is more than K50. Because of the shorter term the interest is a rip off by the lender. The lower, middle working class and occasionally politicians happen to be the main borrowers. These lenders are sometimes referred as "loan sharks".



PNG KINA COINS

**Activity 14.1: Read and answer the question below**

(1) Define the word loan in your own words.

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**Types of loan**

There are many different types of loans that are available for individuals and businesses to get according to their needs. You will realise that all the different types of loan fall under either **secured** or **unsecured loans**.

A secured loan allows the lender some rights over the borrower's assets (things of value) so that the balance due can be recovered by selling the borrower's asset if the borrower does not repay the loan. The most common example of a secured loan is a mortgage (finance for house). In this example given, the lending institution is empowered to sell the property if the loan requirement is not met.

An unsecured loan means that the funds are borrowed without the lender gaining rights over the assets of the borrower. A common example of an unsecured loan is a personal loan which might be used for a car, radio or a holiday or to pay an existing loan.

Because lending is a risky activity, lenders prefer secured loans. Individuals who want to borrow from the banks must also promise a security as well. This could be a house, car or any items of value. Unsecured loans do not require any form of security. Lenders charge an interest on the money borrowed. Interest is the money the borrower pays to the lender on top of the principal amount borrowed. **It is really the cost of borrowing money.** It also represents an income for the lender. Interest rates vary between banks but they use a similar formula to calculate it. The explanation for the formula is done below.

$$\text{Interest} = \text{Principal} \times \text{Rate} \times \text{Time}$$

(In short:  $I = P \times R \times T$ )

Interest is the extra money for taking the risk to lend the funds to someone else. Principal is the actual total money that has been requested and given, rate is the percentage of interest charged and finally time is for how long the money is being repaid.

Financial institutions take a lot of risks when lending money to customers so they charge very high interest on loans. This is true for personal loans. But if the risk is low the banks tend to charge low interest.

An overdraft on cheque accounts is another type of loan. This is given to customers with good record with the bank. Here the customer is allowed to draw more money than what's in the balance. The overdraft is paid together with a bank fee at a later date.



You may know or observed that money lenders can be informal. Informal lenders target the ordinary citizens whom banks may refuse to give loans to.

### **Business Loans**

Commercial banks and other financial institutions provide loans for businesses and the general public. To obtain a business loan, you should have equity in the business. This means that you have invested some of your own money, usually 20-40% in the business.

Banks and other financial institutions are not willing to provide all the money needed to finance a particular activity. Interest rates for any investment loan are up to 15% or more, but this will depend on the credit worthiness of the customer. Also, interest rates will change from time to time.



Hire Truck

### **Personal loans**

Commercial banks and other financial institutions also provide personal loans to businesses and individuals. Personal loans are for smaller amounts ranging from K500-K5000. These are repayable over a period of no more than three years. Security of some sort may be required.

Security is something that the lender can turn into cash when the loan is not paid. Cash security, job guarantees and assets are common forms of security.

### **Housing Loans**

Housing loans are available for Papua New Guinea citizens and others wishing to purchase their own homes. The interest rate is from 10% and the loan is paid for over a maximum of twenty five (25) years. The actual house is mortgaged to the bank or financial institution. They accept the house as security for the loan. The borrower must provide equity of 15-20%. This means that the borrower must pay in cash at least 15-20% of the cost of the house.

### **National Development Bank Loan**

The National Development Bank provides loans for agricultural purposes for the rural dwellers and commercial purposes for town dwellers. It offers long – term loans and does not require repayment in the early years especially for an agricultural project.



### **Overdrafts**

One common method for businesses to borrow is to use bank overdrafts. A bank account especially a cheque account may be overdrawn to an amount agreeable between the borrower and its bank. This means that more money than what the account is currently holding will be withdrawn. Interest on overdraft is calculated on a daily basis on the amount withdrawn.



An overdraft of K5 000 is drawn. The amount borrowed is K3500 for 45 days. If the agreed rate of interest is 14%, the total interest payable will be:

$$\begin{aligned}\text{Interest} &= \text{principal} \times \text{rate} \times \text{time} \\ &= \text{K}3500 \times 14/100 \times 45/365 \\ &= \text{K}60.41\end{aligned}$$

Overdrafts of K100 000 and above carry an overdraft fee charged on the total overdraft. This fee is in addition to the interest charged daily on the total amount borrowed.



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**Activity 14.2: Read and answer the question below**

Give two (2) advantages of borrowing money.

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For businesses, making an overdraft provides working capital for them, especially to purchase trading stock. A retail outlet may overdraw its account to buy new stock and as it sells its stock for cash it will pay off its overdraft.

Many businesses have overdraft arrangements with their banks and they can run for several years. Credit worthy businesses usually have their arrangements “reinstated” and “maintained” by the banks. However, they may at any time decrease, limit or cancel an overdraft arrangement especially those that have credit responsibilities.

**The cost of borrowed money**

We have looked at some of the loans available for people to take for various activities and businesses. All these money that has been made available to the public is not free. They must be paid back to the owners with interest. These are some ways that the banks also make money from the deposits they accept from the general public.

Banks and finance companies are businesses whose jobs are to „re-distribute” money. Businesses who have good reputation (credit worthiness) can always negotiate with them to get a lower rate than the normal rate of interest. If the bank is unsure of the firms credit worthiness, then it can charge a higher rate of interest. Loans are repaid monthly, however, quarterly and half yearly can also be arranged.

All repayment calculations are prepared by the financial institutions and are made up of the principal, interest and the terms on whether the interest is charged at a flat or reducing rate.

Now we are going to look at two methods that are used to calculate loans repayments. When taking out a loan ask specifically for one that will help you when it comes to repaying it.

Turn to the next page to see the two methods of calculations for loans taken out.

## Choosing Between Flat Rate and Reducing Balance

BSP INTEREST RATE  
15% REDUCING  
BALANCE.

BANK ABC  
10% FLAT RATE



BSP Loans are so expensive. "Someone please help find a cheaper rate"

BSP rate is for a reducing -balance, so it is much cheaper than ABC bank loan. I learnt this in Grade 9

Which one?

### Flat rate loans

In a flat-rate loan, the rate of interest is charged on the full amount over the term of the loan even, when most of the loan has been repaid.

A loan of K5000 drawn at a flat interest rate of 7% is repaid over five months. Repayment is:

	Principal (K)	Interest (K)
Month 1	1000	145.83
Month 2	1000	145.83
Month 3	1000	145.83
Month 4	1000	145.83
Month 5	1000	145.83
<b>Total</b>		<b>5729.15</b>

Each month an interest of K145.83 is payable. This is 7% of K5000 per month:

$K5000 \times 7/100 \times 5/12 = K145.83$  (rounded to nearest toea). A total of K729.15 will be paid altogether.

In month 5, when only K1000 remains, interest is still charged on K5000, the total loan.

### Reducing Balance Loan

Reducing - balance loan interest is paid on the outstanding amount. The bigger the repayment made, the lesser the interest will be.

Now, let us have a look at the loan of K5000 above again if it had a reducing balance interest rate. The repayment each month would be.

Turn to the next page to find out.

	<b>Principal (K)</b>	<b>Interest (K)</b>
Month 1	5000.00	145.83
Month 2	3854.17	89.90
Month 3	2764.27	48.37
Month 4	1715.90	20.02
Month 5	695.88	4.10
<b>Total</b>		<b>5308.22</b>

Interest payable per month is worked out on the amount of principal owing at that time. In the final month, K695.88 is owed. Total Interest payable is: K308.22

$K1000 \times 7/100 \times 1/12 = K5.80$

The reducing –balance loan interest is K420.93 (K5729.15-K5308.22) cheaper than the flat –rate loan. Larger businesses would do a lot of savings because commercial loans are in larger amounts .It is therefore important to know whether a loan has reducing or flat rate interest when working out its full cost. Personal loans and hire purchase are always calculated at a flat rate.



### Activity 14.3: Read and answer the question below.

A commercial bank accepted the following loan application and each one have agreed to monthly flat rate repayment method during their interviews. Using the formula  $\text{Principal} \times \text{Rate} \times \text{Time}$ , (a) calculate the rate of interest for each one. (b) Finally state the total payable.

No	Principal	Time	Interest (in %)	Total Payable.
i	K10 000	six (6) months	10%	
ii	K3000	five (5) months	12%	
iii	K6000	nine (9) months	10%	

Finally, we look at the last two types of loans. Read onto the next pages to find out about these two types of loans.

**Leasing finance** (known as Financial Leasing)  
Banks and Finance Companies provide leasing finance to businesses to purchase a wide range of assets. These assets may include items such as:

- Trucks, PMVs and other vehicles
- Earth moving equipment
- Electronic items
- Out board motors



Car - Hire Purchase

A selected bank buys the items and leases them to the businesses and individuals. The customer makes regular payments throughout the leased period. Ownership will be transferred when the final payment is done.

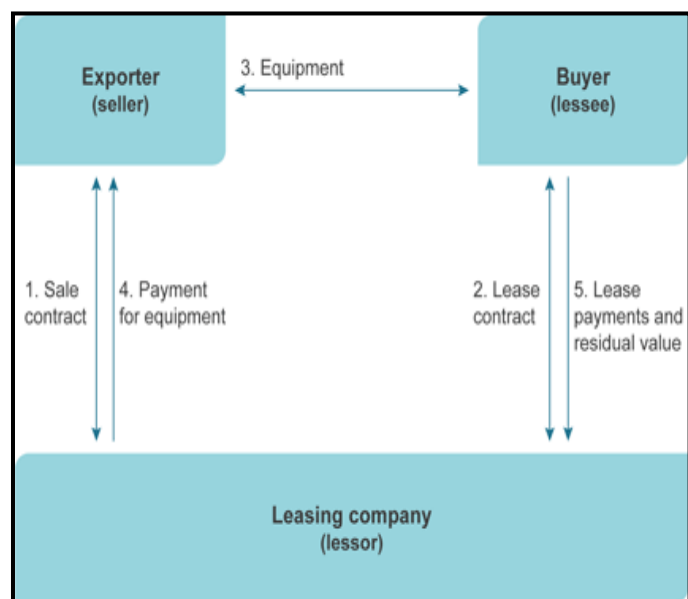
Financial Leasing is done on amounts not less than K10000. Finance companies and the National Development Bank provide finance for second - hand goods. The interest depends on the credit worthiness of the particular customer. Financial Leasing from finance companies is the most convenient of all. However, the interest rate is much higher.

One advantage of leasing items is that businesses or individuals do not “tie” up large sums of money on buying expensive items. The rental payments made can be accepted as expenses and helps keep the firms’ tax down. The finance companies providing such services are firms.

- AGC Pacific
- Fincorp
- MBF Finance
- First Investment Finance
- Credit Corporation
- Kina Finance – Esiloan

### How leasing finance works

Hire Purchase is similar to Financial Leasing and businesses can pay for items such as shop fittings and equipment, refrigerators, and motor vehicles. Finance companies and the National Development Bank provide funds for hire purchase.



A Hire Purchase agreement differs from a leasing agreement in a number of ways. The purchaser pays one –third as an initial deposit and the balance is paid in regular monthly instalments. The customer takes possession of the good as soon as the deposit is paid. The finance company, however, remains the legal owner until it is fully paid for.

Hire Purchase payments include interest payments which are very high because it is calculated at a flat – rate.

### Example One

- A firm buys furniture for K2800. An initial deposit of 25% is paid and interest at 15% per year is charged on the outstanding balance. The balance is paid in twelve monthly instalments. The total of each instalment is calculated as follows:
- Price of furniture = K2800
- Less deposit = K700 (25% of K2800)
- Outstanding balance = K2800 – K700 = 2100
- Plus interest at 15%
- On balance for one year = 15% of K2100 = K315
- Total amount to be repaid = K2100 + K315 = K2415
- Amount of each instalments =  $\frac{K2415}{12} = K201.25$

**Example Two**

A trade store buys a freezer for K800. It pays a deposit for 20% of the purchase price. The outstanding, plus interest of 10% on the balance is paid in four quarterly instalments.

The true rate of interest is calculated as follows:

Outstanding balance = K800 – 20%

= K800 – K160 = K640

Interest of 10% for 1 year = 10% of K640 = K64

Total to be repaid = K640 + K64 = K 704

Amount of each installment = K 704/4 = K176

Thus the balance is:

K640 for the first three months

K480 for the next three months

**Advantages and Disadvantages of Borrowing Money**

<b>Advantages of Borrowing</b>	<b>Disadvantages of Borrowing</b>
<ul style="list-style-type: none"> <li>• Can buy expensive items</li> <li>• Money is made available quickly</li> <li>• Ownership and possession of good</li> </ul>	<ul style="list-style-type: none"> <li>• High interest rate</li> <li>• Pressure from the lender</li> <li>• There may be penalties if there is a delay (default) in the repayment of the loan.</li> <li>• Repossession of goods.</li> </ul>

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**Summary:**

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You have come to the end of your lesson. In this lesson you learnt that:

- A Loan is money lent on the condition that it is repaid, either in instalments or all at once, on agreed dates and usually the borrower pays the lender an agreed extra as interest at an agreed rate.
- The commercial banks, finance companies, insurance companies, easy money lending schemes, friends and wantoks are all sources of money that can be loaned and paid back with interest.
- There are several types of loans that one may take depending on their needs:
  - Business loan (investment)
  - Personal loans
  - Mortgage (house)
  - Overdraft
  - Leasing
  - Hire purchase
- The two methods of calculating interest on loans are flat rate and reducing – balance. Flat rate interest method is where the same amount is repaid over a period until the final payment. Reducing – balance interest method is cheaper and is paid according to the balance outstanding until the loan is fully repaid.

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<b>NOW DO PRACTICE EXERCISE 14 ON THE NEXT PAGE</b>
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## Practice Exercise 14

1. A group of Sogeri villagers want to start up a pineapple project which will cost K10 000 to start. The group has K 5 000 and want to borrow the remaining amount. The expected income from this investment is K20 000 per year.

(i) Which would be the appropriate bank to obtain a loan for such a project?

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(ii) Name one item that the villagers would use as security for a loan from NDB.

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(iii) What would be the grace period for this pineapple project?

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2. Give two disadvantages of borrowing money.

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3. In your own point of view, what source do you think is the best choice to borrow money? Give a reason for your choice.

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<b>CHECK YOUR ANSWERS AT THE END OF TOPIC 4</b>
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## Lesson 15: Obtaining a Personal Loan

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### Introduction:

Welcome to lesson 15. In lesson 14 you learnt about *loans*. You learnt that a loan is about lending money to someone on the condition that it will be paid back later. You learnt about the types of loans such as personal bank loans, bank overdraft and mortgage. You also identified some financial institutions that give loans and their lending conditions.



### Your Aims:

- Analyse a loan application form.
  - Write a loan application using given information.
- 

### What is a Personal Loan?

You already learnt in your previous lesson that a loan is about lending money to someone on the condition that it will be paid back later. Hence, it involves a borrower and a lender. A borrower is a person who asks to borrow the money and the lender is the person or the organization that lends out the money. So when we say, personal loan, it is about an individual person borrowing money from someone or a money lending organisation on the condition that what he or she borrowed will be paid back later. Usually, the amount of money borrowed is paid back with interest added on.

Individuals take up personal loans for several reasons. They may want to buy a car, a boat, for a project or for some other worthwhile purposes.

All individuals who want to take out a personal loan with a commercial bank or a financial institution or company must fill in a loan application form.

### What is a Loan Application Form?

An application form is a specific designed document that requires a person who wants to take out a loan to present specific information about himself or herself. This information is important for the lender. It enables the lending financial company or the commercial bank to make its judgment as to whether the person applying for the loan is qualified and meet all expected requirements before the loan is approved.

All financial institutions or companies that lend money to people have a designed loan application form. The designs and settings of their loan application forms may slightly differ from lender to lender.

Let us have a look at the loan application form on the next page.

CUSTOMERS LOAN DETAILS	STATEMENT OF POSITION
<p><b>PLEASE COMPLETE NEATLY BY HAND AND PRESENT TO ANY BRANCH OF BANK SOUTH PACIFIC</b></p>	<p><b>ASSETS – WHAT YOU OWN</b></p> <p>Value of Home _____ K____</p> <p>Address: _____ Lot: _____ Sect: _____</p> <p>Suburb: _____</p> <p>Furniture: _____</p> <p>Motor Vehicle Make: _____ Year: _____</p> <p>Registration number: _____ Model: _____</p> <p>Bank Account _____ Branch _____</p> <p>_____</p> <p>_____</p>
<p>Purchase Price K_____ Own Contribution K_____</p> <p>Loan Request K_____ Purpose Of Loan _____</p> <p>Repayment Offered K_____</p> <p>Monthly <input type="checkbox"/> Fortnightly <input type="checkbox"/></p> <p><b>YOUR PERSONAL DETAILS</b></p> <p>Surname _____ Given Name(S) _____</p> <p>Date Of Birth ____/____/____ Marital Status ____ Ages Of Children ____</p> <p>Full Name Of Spouse: _____ Date Of Birth ____/____/____</p> <p>Residential Address _____ Date you moved there _____</p> <p>Who owns this house: <input type="checkbox"/> self (provided rate notice) <input type="checkbox"/> relatives <input type="checkbox"/> landlord</p> <p>Landlord name: _____</p> <p>Landlord Address: _____</p> <p>Previous Residence: _____ Length of Residency: _____</p> <p>Name, address, phone number and relation of nearest relative not living with you.</p> <p>Name: _____</p> <p>Relationship: _____</p> <p>Phone at Work: _____ Phone at Home: _____</p> <p>Address: _____</p> <p>Email: _____ Mobile: _____</p> <p>Nasfund or Nambawan Super ID Number <input type="text"/></p> <p>Current Driver's License Number (if any) <input type="text"/></p> <p><b>CREDIT HISTORY – CREDIT REFERENCES, PREVIOUS LOANS, FINANCE COMPANIES, STORES</b></p> <p>Institution: _____</p> <p>Address: _____</p> <p>Institution: _____</p> <p>Address: _____</p> <p>Attach statements with this application</p> <p>Have you ever been bankrupt or had any judgment of legal proceedings against you</p> <p>Yes <input type="checkbox"/> No <input type="checkbox"/> Details _____</p> <p><b>EMPLOYMENT DETAILS – SELF</b></p> <p>Occupation: _____</p> <p>Employer Name: _____</p> <p>Employer Address: _____</p> <p>Phone Number: _____ Email _____</p>	<p><b>TOTAL EXPENDITURE PER MONTH</b> K____</p> <p><b>NET SURPLUS</b> K____</p> <p>K____</p> <p>K____</p> <p>Other assets you own ( if a property, advice type of residence, village, or lot, section and suburb</p> <p>_____ K____</p> <p>_____ K____</p> <p>_____ K____</p> <p>_____ K____</p> <p><b>TOTAL ASSETS</b> K____</p> <p><b>LIABILITIES – WHAT YOU OWE</b></p> <p>Home Loan From: _____ K____</p> <p>Other Loans – Name of lenders</p> <p>_____ K____</p> <p>_____ K____</p> <p>_____ K____</p> <p>Rates, Taxes, credit account, etc.</p> <p>_____ K____</p> <p>_____ K____</p> <p>Other Debts (Hire Purchase etc.)</p> <p>_____ K____</p> <p>_____ K____</p> <p><b>TOTAL LIABILITIES</b> K____</p> <p><b>MONTHLY INCOME ( Attach 3 latest payslips &amp; bank financial statement)</b></p> <p>Applicants monthly NET Income K____</p> <p>Other Monthly Income – Give Details</p> <p>_____ K____</p> <p>_____ K____</p> <p>_____ K____</p> <p><b>TOTAL INCOME PER MONTH</b> K____</p> <p><b>BUDGET- MONTHLY EXPENDITURE</b></p> <p>Home Loans _____ K____</p> <p>Other Loans _____ K____</p> <p>Motor Vehicle Runing _____ K____</p> <p>Rent _____ K____</p> <p>Electricity &amp; Phone _____ K____</p> <p>Insurance, Rates,&amp; Taxes _____ K____</p> <p>School fees _____ K____</p> <p>Wantoks _____ K____</p> <p>General Living Expenses _____ K____</p>

Date Commenced: _____ Previous Employer: _____ Years There: ____		_____ K _____
<b>EMPLOYMENT DETAILS – SPOUSE</b> Occupation: _____ Employer Name: _____ Employer Address: _____ Phone Number: _____ Email _____ Date Commenced: _____ Previous Employer: _____ Years There: ____		
<b>CREDIT INFORMATION</b> – Authority to obtain and Provide Personal Financial and Credit Information		
The undersigned authorize the Bank South Pacific Limited:		The details completed are a true and accurate record
1. To obtain a credit report containing personal financial and credit information in relation to the undersigned from the credit reporting Agency,	<input type="text"/>	<input type="text"/>
2. To utilize the credit report to assist in the assessment of any loan application by the undersigned,	Applicant's Signature	Date
3. To exchange personal financial and credit information in relation to the undersigned with other credit providers including details of loans obtained from the Bank South Pacific Ltd and,	<input type="text"/>	<input type="text"/>
4. To inform the Credit Reporting Agency of any default in the credit provided to the undersigned,	Spouse's Signature	Date



### Activity 15.1: Read and answer the questions below

1. List some very common information that will surely appear on a loan application form.

How did you go with your activity? Did you write down information such as; surname, name, date of birth, address, work place, telephone numbers, spouse's name and details, ID card, etc.? If you did, then, that is very good.

You should take note that even though the settings and designs of loan applications may differ between commercial banks and other financial companies, the main components or sections that you see on the loan application forms are most likely the same. They would include such information as; loan enquiry details, personal details, employment details, bank and income details. Your answers that you gave in your activity above will come under these main components or sections. We will soon study more about each in the next part of our lesson.

**Example of a Loan Application Form**

On pages 148 and 149 you have seen a loan application form from the Bank South Pacific. We will study it and identify the different components or sections that make up the application form.

**Components of the BSP Loan Application Form**

On the Bank South Pacific's loan application form you will find fourteen (14) different components or sections. So any person who wants to take out a personal loan with the bank will have to give all the information required under these different sections.

For example, if you want to make a personal loan then you will be required to fill out all the information required under the following.

1. Loan Details	8. Assets – What you own
2. Personal Details	9. Liabilities- What you owe
3. Relative's Details	10. Monthly Income
4. Identification Numbers	11. Monthly Expenditure
5. Credit History	12. Net Surplus
6. Employment Details	13. Signature and Date
7. Spouse's Employment Details	14. Spouse's Signature and Date

**Activity 15.2: Read and answer the questions below**

(1) Define the following terms and give examples.

(a) Assets

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(b) Liabilities

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(c) Income

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(d) Expenditure

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Now, let us study each of the components and identify what they contain.

**BSP - PERSONAL LOAN APPLICATION**

<b>Loan Application Components and their contents</b>										
<b>1. <u>Loan Details</u></b> -Purchase Price -Own Contribution -Loan Request -Purpose Of Loan -Repayment Offered Monthly Fortnight	<b>8. <u>Assets – What you own</u></b> -The value of your home/house and its details -The value of your furniture -The value of your motor vehicle and its details -The balance of your bank accounts -The value of other properties that you have									
<b>2. <u>Personal Details</u></b> -Surname /Given Name(S) -Date Of Birth/ Marital Status/Ages Of Children -Full Name Of Spouse/ Date Of Birth -Residential Address/ Date you moved there, Who owns this house: self (provided rate notice) relatives landlord -Landlord name/Landlord Address: -Previous Residence:/Length of Residency:	<b>9. <u>Liabilities- What you owe</u></b> -The cost of your Home Loan -The cost of Other Loans/ Name of lenders -The cost of Rates, Taxes, credit account, etc. -Cost of Other Debts (Hire Purchase etc.)									
<b>3. <u>Relative's Details</u></b> -Name: / Relationship -Phone at Work: / Phone at Home: -Address: /Email: / Mobile:	<b>10. <u>Monthly Income</u></b> -Details of 3 pay slips and bank financial statements -Detail of monthly net income -Details of other monthly Income									
<b>4. <u>Identification Numbers</u></b> -Nasfund or Nambawan Super ID Number -Current Driver's License Number (if any)	<b>11. <u>Monthly Expenditure</u></b> <u>Details of Monthly Expenditure on:</u>									
	<table> <tr> <td>-Home Loan</td><td>-Electricity &amp; Phone</td></tr> <tr> <td>-Other Loans</td><td>-Insurance, Rates,&amp; Taxes</td></tr> <tr> <td>-Motor Vehicle Running</td><td>-School fees</td></tr> <tr> <td>-Rent</td><td>-General Living Expenses</td></tr> <tr> <td>-Wantoks</td><td></td></tr> </table>	-Home Loan	-Electricity & Phone	-Other Loans	-Insurance, Rates,& Taxes	-Motor Vehicle Running	-School fees	-Rent	-General Living Expenses	-Wantoks
-Home Loan	-Electricity & Phone									
-Other Loans	-Insurance, Rates,& Taxes									
-Motor Vehicle Running	-School fees									
-Rent	-General Living Expenses									
-Wantoks										
<b>5. Credit History</b> -Institution:/Address: -Institution:/Address: -statements from those institutions -other details on bankruptcy or legal proceedings against the customer	<b>12. <u>Net Surplus</u></b> -Total income per month minus total expenditure per month will give the net surplus									
<b>6. <u>Employment Details</u></b> -Occupation: -Employer Name: -Employer Address: -Phone Number / Email	<b>13. Signature and Date</b> -The person making the loans' signature and date									

-Date Commenced: -Previous Employer/ Years There	
<b>7. Spouse's Employment Details</b> -Occupation: -Employer Name: -Employer Address: -Phone Number: / Email -Date Commenced: -Previous Employer:/Years There	<b>14. Spouse's Signature and Date</b> -The signature and date of the spouse of the person making the loan

### Filling up a Loan Application Form

Having studied the main components and their contents, we will now study a sample of a completed form. This will help us to understand how the information is written out on a loan application form.

You should also take note that there will be blanks in some sections. This means that the person has nothing in that particular requirement and so he/she has not written anything.

### BSP - PERSONAL LOAN APPLICATION

CUSTOMERS LOAN DETAILS	STATEMENT OF POSITION
<b>PLEASE COMPLETE NEATLY BY HAND AND PRESENT TO ANY BRANCH OF BANK SOUTH PACIFIC</b>	<b>ASSETS – WHAT YOU OWN</b>
Purchase Price K_____ Own Contribution K_____ Loan Request K_____ Purpose Of Loan _____ Repayment Offered K_____ Monthly <input type="checkbox"/> Fortnightly <input type="checkbox"/>	Value of Home K_____ Address: Lot:_____ Sect:_____ Suburb:_____ Furniture: K_____ Motor Vehicle Make:_____ Year:_____ K_____ Registration number:_____ Model _____ Bank Account Branch K 6000 1001131844 BOROKO K 2000
<b>YOUR PERSONAL DETAILS</b> Surname <b>PAYOK</b> Given Name(S) <b>DORIS</b> Date Of Birth <b>7/7/82</b> Marital Status <b>M</b> Ages Of Children <b>7</b> Full Name Of Spouse: <b>LARRY MURAU</b> Date Of Birth: <b>26/7/76</b> Residential Address <b>RAINBOW</b> Date you moved there <b>2005</b> Who owns this house: <input type="checkbox"/> self (provided rate notice) <input checked="" type="checkbox"/> relatives <input type="checkbox"/> landlord Landlord name: _____ Landlord Address: _____ Previous Residence: _____ Length of Residency: _____ Name, address, phone number and relation of nearest relative not living with you. Name: <b>LUMBE SILAI</b> Relationship: <b>SISTER</b> Phone at Work: _____ Phone at Home: _____ Address: <b>POBOX 3953 BOROKO NCD</b> Email: _____ Mobile: <b>79179905</b> Nasfund or Nambawan Super ID Number <b>191376</b> Current Driver's License Number (if any) <b>NA</b>	Other assets you own ( if a property, advice type of residence, village, or lot, section and suburb) _____ K_____ _____ K_____ _____ K_____ _____ K_____ <b>TOTAL ASSETS K 8000</b>
<b>CREDIT HISTORY – CREDIT REFERENCES, PREVIOUS LOANS, FINANCE COMPANIES, STORES</b> Institution: <b>FINCORP</b>	<b>LIABILITIES – WHAT YOU OWE</b> Home Loan From: _____ K_____ Other Loans – Name of lenders <b>FINCORP K 1000</b> <b>TSL K 5000</b> _____ K 7000 Rates, Taxes, credit account, etc. _____ K_____ _____ K_____ Other Debts (Hire Purchase etc.) _____ K_____ _____ K_____ <b>TOTAL LIABILITIES K 7000</b>
	<b>MONTHLY INCOME</b> ( Attach 3 latest payslips & bank financial statement)

<p>Address: <b>PORT MORESBY, WAIGANI FINCORP</b>  Institution: <b>TSL</b>  Address: <b>PORT MORESBY, WAIGANI, TSL HAUS</b>  Attach statements with this application  Have you ever been bankrupt or had any judgment of legal proceedings against you  Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Details _____</p> <p><b>EMPLOYMENT DETAILS – SELF</b>  Occupation: <b>CURRICULUM WRITER</b>  Employer Name: <b>FLEXIBLE AND OPEN DISTANCE EDUCATION</b>  Employer Address: <b>PO PRIVATE MAILBAG WAIGANI NCD</b>  Phone Number: <b>323 0299 or 323 0781</b> Email  Date Commenced: <b>25<sup>TH</sup> MAY 2013</b>  Previous Employer: <b>DEPARTMENT OF EDUCATION</b>  Years There: <b>8</b></p> <p><b>EMPLOYMENT DETAILS – SPOUSE</b>  Occupation: <b>ONSITE NETWORK SPECIALIST</b>  Employer Name: <b>DIGICEL PNG</b>  Employer Address: _____  Phone Number: _____  Email: <b>larrymurau@digicelgroup.com.pg</b>  Date Commenced: <b>21<sup>ST</sup> FEBRUARY 2014</b>  Previous Employer: <b>BANK SOUTH PACIFIC</b>  Years There: <b>8</b></p> <p><b>CREDIT INFORMATION</b> – Authority to obtain and Provide Personal Financial and Credit Information</p> <p>The undersigned authorize the Bank South Pacific Limited:</p> <ol style="list-style-type: none"> <li>To obtain a credit report containing personal financial and credit information in relation to the undersigned from the credit reporting Agency,</li> <li>To utilize the credit report to assist in the assessment of any loan application by the undersigned,</li> <li>To exchange personal financial and credit information in relation to the undersigned with other credit providers including details of loans obtained from the Bank South Pacific Ltd and,</li> <li>To inform the Credit Reporting Agency of any default in the credit provided to the undersigned,</li> </ol>	<p>Applicants monthly NET Income <b>K 1080</b></p> <p>Other Monthly Income – Give Details  _____  _____  _____  _____</p> <p><b>TOTAL INCOME PER MONTH</b> <b>K 1080</b></p> <p><b>BUDGET- MONTHLY EXPENDITURE</b></p> <p>Home Loans _____ K _____  Other Loans _____ K _____  Motor Vehicle Running _____ <b>K 100</b>  Rent _____ K _____  Electricity &amp; Phone _____ <b>K 100</b>  Insurance, Rates, &amp; Taxes _____ <b>K 100</b>  School fees _____ <b>K 85</b>  Wantoks _____ <b>K 50</b>  General Living Expenses _____ <b>K 200</b>  <b>K 635</b></p> <p><b>TOTAL EXPENDITURE PER MONTH</b> <b>K635</b>  <b>NET SURPLUS</b> <b>K445</b></p> <p>The details completed are a true and accurate record</p> <table border="0"> <tr> <td style="border: 1px solid black; padding: 5px;"><i>Doris Payok</i></td> <td style="border: 1px solid black; padding: 5px;">23/5/2012</td> </tr> <tr> <td style="text-align: center;">Applicant's Signature</td> <td style="text-align: center;">Date</td> </tr> <tr> <td style="border: 1px solid black; padding: 5px;"><i>Larry murau</i></td> <td style="border: 1px solid black; padding: 5px;">23/5/2012</td> </tr> <tr> <td style="text-align: center;">Spouse's Signature</td> <td style="text-align: center;">Date</td> </tr> </table>	<i>Doris Payok</i>	23/5/2012	Applicant's Signature	Date	<i>Larry murau</i>	23/5/2012	Spouse's Signature	Date
<i>Doris Payok</i>	23/5/2012								
Applicant's Signature	Date								
<i>Larry murau</i>	23/5/2012								
Spouse's Signature	Date								



### Activity 15.3: Read and answer the questions below.

Study the completed sample and answer the following questions.

(a) Who is taking out the loan?

(b) What is her occupation and who is her employer?

(c) Why does BSP require a person to complete their statement of position?

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**Summary:**

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You have come to the end of your lesson. In this lesson you learnt that:

- A loan is about lending money to someone on the condition that it will be paid back later.
- The amount of money borrowed is usually paid back with interest added on.
- A borrower is a person who asks to borrow the money and the lender is the person or the financial institution that lends out the money.
- Individuals take up personal loans for reasons such as wanting to buy a car, a boat, to finance a project or for some other worthwhile purposes.
- All individuals who want to take out a personal loan with the bank or any other financial institution must always fill out a loan application form.
- An application form is a specifically designed document that requires a person wanting to take out a loan to present specific information about him or her.
- Loan application forms may differ slightly in designs and settings but the main components such as loan enquiry details, personal details, employment details, and bank and income details are the same on the application forms.
- The main components found on a BSP loan application form are:

1. Loan Details	8. Assets – What you own
2. Personal Details	9. Liabilities- What you owe
3. Relative's Details	10. Monthly Income
4. Identification Numbers	11. Monthly Expenditure
5. Credit History	12. Net Surplus
6. Employment Details	13. Signature and Date
7. Spouse's Employment Details	14. Spouse's Signature and Date

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**NOW DO THE PRACTICE EXERCISE 15 ON THE NEXT PAGE**

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## Practice Exercise 15

1. Read the story below and use the given information to complete the BSP Loan Application Form

### AIBA' STORY

Aiba Kotokoto is married to Solomon Jacob and she has two children. Aiba and her family are living at Gerehu, Stage 1 in a house of a relative. They have been living there since December 10<sup>th</sup>, 2010. However, previously they lived at Tokarara for thirty (30) years.

Aiba Kotokoto works as a curriculum officer under the Teaching Service Commission. She began her job as a curriculum officer in 2006 and has been there for seven (7) years now. While Aiba is a government officer, her husband is a self-employed person who began doing his own commercial activities since 2009.

Two years ago, Aiba decided to take out a loan from Kina Finance Limited for school fees. She successfully completed the loan within ten (10) months. Aiba does not have any details of bad debts.

Aiba's monthly income is K 1751.80 and her monthly expenses are;

- Other loans K251
- Electricity and Phone K100
- Insurance, Rates & Taxes K88
- School fees K95
- Wantoks K50
- General Living Expenses K300

Aiba usually keeps a diary of important events and information. In her diary, she has written the following;

- A brother who works at Gateway Hotel whose name is Dominic Hobi Kotokoto with his address as; P.O.Box 251, Boroko, NCD and Phone number; 72790858
- The address of her employer as; P.O.Box 6268, Boroko, NCD and Phone Number; 3013301
- The address of her husband as; P.O.Box 1382, Port Moresby and Phone number; 3418277
- The address of Kina Finance Limited as; P.O. Box 1141, Port Moresby, NCD
- Furniture values as; K12,000
- Hire purchase with Courts Credit Purchase for K2513.75
- Her Bank Name as; Aiba Kotokoto BSP Waigani and Account number as; 12111866 with the latest balance as K10 466.12

CUSTOMERS LOAN DETAILS	STATEMENT OF POSITION	
<b>PLEASE COMPLETE NEATLY BY HAND AND PRESENT TO ANY BRANCH OF BANK SOUTH PACIFIC</b>	<b>ASSETS – WHAT YOU OWN</b>	K__
Purchase Price K_____ Own Contribution K_____	Value of Home	
Loan Request K_____ Purpose Of Loan _____	Address: _____ Lot: _____ Sect: _____	K__
Repayment Offered K_____ Monthly _____ Fortnightly _____	Suburb: _____	K__
<b>YOUR PERSONAL DETAILS</b>	Furniture: _____	K__
Surname _____ Given Name(S) _____	Motor Vehicle Make: _____	
Date Of Birth ____/____/____ Marital Status _____ Ages Of Children _____	Year: _____	
Full Name Of Spouse: _____ Date Of Birth ____/____/____	Registration number: _____	K__
Residential Address _____ Date you moved there _____	Model _____	K__
Who owns this house: <input type="checkbox"/> self (provided rate notice) <input type="checkbox"/> relatives <input type="checkbox"/> landlord	Bank Account _____ Branch _____	
Landlord name: _____	Other assets you own ( if a property, advice type of residence, village, or lot, section and suburb	
Landlord Address: _____	_____	K__
Previous Residence: _____ Length of Residency: _____	_____	K__
Name, address, phone number and relation of nearest relative not living with you.	_____	K__
Name: _____	<b>TOTAL ASSETS</b>	
Relationship: _____	<b>LIABILITIES – WHAT YOU OWE</b>	
Phone at Work: _____ Phone at Home: _____	Home Loan From: _____	K__
Address: _____	Other Loans – Name of lenders	K__
Email: _____ Mobile: _____	_____	K__
Nasfund or Nambawan Super ID Number _____	_____	K__
Current Driver's License Number (if any) _____	Rates, Taxes, credit account, etc.	K__
<b>CREDIT HISTORY – CREDIT REFERENCES, PREVIOUS LOANS, FINANCE COMPANIES, STORES</b>	_____	
Institution: _____	Other Debts (Hire Purchase etc.)	K__
Address: _____	_____	K__
Institution: _____	<b>TOTAL LIABILITIES</b>	
Address: _____	<b>MONTHLY INCOME ( Attach 3 latest payslips &amp; bank financial statement)</b>	
Attach statements with this application	Applicants monthly NET Income	K__
Have you ever been bankrupt or had any judgment of legal proceedings against you	Other Monthly Income – Give Details	
Yes <input type="checkbox"/> No <input type="checkbox"/> Details _____	_____	K__
<b>EMPLOYMENT DETAILS – SELF</b>	_____	K__
Occupation: _____	<b>TOTAL INCOME PER MONTH</b>	K__
Employer Name: _____	<b>BUDGET- MONTHLY EXPENDITURE</b>	K__
Employer Address: _____	Home Loans _____	K__
Phone Number: _____ Email _____	Other Loans _____	K__
Date _____	Motor Vehicle Runing _____	K__
Commenced: _____	Rent _____	K__
Previous Employer: _____ Years There _____	Electricity & Phone _____	K__
<b>EMPLOYMENT DETAILS – SPOUSE</b>	Insurance, Rates, & Taxes _____	K__
Occupation: _____	School fees _____	K__
Employer Name: _____	Wantoks _____	K__
Employer Address: _____	General Living Expenses _____	
Phone Number: _____ Email _____	<b>TOTAL EXPENDITURE PER MONTH</b>	K__
Date _____	<b>NET SURPLUS</b>	K__
Commenced: _____		
Previous Employer: _____ Years There _____		

<p><b>CREDIT INFORMATION</b> – Authority to obtain and Provide Personal Financial and Credit Information</p> <p>The undersigned authorize the Bank South Pacific Limited:</p> <ol style="list-style-type: none"> <li>9. To obtain a credit report containing personal financial and credit information in relation to the undersigned from the credit reporting Agency,</li> <li>10. To utilize the credit report to assist in the assessment of any loan application by the undersigned,</li> <li>11. To exchange personal financial and credit information in relation to the undersigned with other credit providers including details of loans obtained from the Bank South Pacific Ltd and,</li> <li>12. To inform the Credit Reporting Agency of any default in the credit provided to the undersigned,</li> </ol>		
	<p>The details completed are a true and accurate record</p> <div style="border: 1px solid black; width: 150px; height: 15px; margin: 5px auto;"></div> <p style="text-align: center;">Applicant's Signature</p> <div style="border: 1px solid black; width: 150px; height: 15px; margin: 5px auto;"></div> <p style="text-align: center;">Spouse's Signature</p>	<div style="border: 1px solid black; width: 50px; height: 15px; margin: 5px auto;"></div> <p style="text-align: center;">Date</p> <div style="border: 1px solid black; width: 50px; height: 15px; margin: 5px auto;"></div> <p style="text-align: center;">Date</p>

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**CHECK YOUR ANSWERS AT THE END OF THE TOPIC 4**



## Lesson 16: The Consumer in Debt

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### Introduction

Welcome to lesson 16. In lesson 15 you learnt about Obtaining a Personal loan. You firstly learnt about the components of a loan application form especially the important components. Secondly, you got your hands on exercise by writing or filing in a loan application form using the relevant information provided. In this last lesson, you will look at the consumer in debt.



### Your Aims:

- Define debt
- Identify and discuss factors that cause a consumer to get into debt.
- Discuss the consequences of debt

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### What is Debt in Commerce?

A debt is a sum of money owed by one person to another. In commerce, it is usual for debts to be settled within one month after receiving an invoice, after which interest may be incurred. A long-term debt may be covered by a bill of exchange, which is a negotiable instrument.

### What are Consumer Debts?

Money owed as a result of purchasing goods that are consumable and or do not appreciate. Possessing high levels of consumer debt is not typically beneficial for the average individual because it increases the strain on one's sources of income to maintain regular repayments. If debts are not managed well, consumer debts can lead to bankruptcy.

### Factors that cause consumers to get into debt

The causes of debt are so many and varied and not usually due to irresponsibility, as it is commonly assumed.

Most debt problems arise when people experience changes in circumstances which leave them unable to meet their commitments. This can be due to the loss of a job, a birth, ill health, a bereavement, etc. The causes of debt can be devastating to people and their families. On a practical level, clients' liberty, their home, goods and services may be lost or at risk.

The causes of debt can make people feel ashamed, guilty, frustrated, and angry and can seriously affect both their mental and physical health. It can also be the cause of a relationship breaking down amongst other things.

Following are the causes of debt.

- Ignoring the repayment debts is one of the main causes of debt getting out of hand.
- Not including in a budget or forgetting occasional items such as school expenses, Christmas etc.
- Be unrealistic about needs such as food, fuel, clothing, etc.
- Not informing your creditors that you are in difficulty. Reputable lenders will have a reasonable view if they know the circumstances.

- Not maintaining agreements with creditors, maintain it without failure, ignoring letters, reminders or default notices.
- Not attending court hearings.
- Borrowing more money to pay off existing debts. This increases your spending.
- Not prioritising mortgage and rent payments. Remember that your house may be at risk if you do this.
- Divorce or marriage breakdown
- Debt due to bad or ill health
- Debt due to gambling
- Debt due to Tax problems
- Debt due to Credit card debt
- Debt due to Store card debt
- Debt after a death in the family
- Debt from disability
- Debt from being a single parent
- Debt from mortgage shortfalls
- Debt from car financing
- Debt from secured and personal loans
- Debt from ill health
- Debt from loss of work
- Debt due to failure of a business

**Activity 16.1: Read and answer the questions below.**

(a) What is consumer debt?

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(b) When the causes of debt are too much for people, how do they feel?

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Name five (5) causes of debt.

- i. \_\_\_\_\_
- ii. \_\_\_\_\_
- iii. \_\_\_\_\_
- iv. \_\_\_\_\_
- v. \_\_\_\_\_

**Consequences of debt on the consumer**

Although failure to pay a debt is not a criminal offence, it has many consequences depending on the debtor's situation. A mortgage default will lead to losing the house to the lender, and an unpaid car loan can result in repossession of the car. Wages may be garnished (decked), tax liens (claim for unpaid taxes) imposed on property, and credit ruined, hindering (holding back) future borrowing ability. In the event of failure to repay a debt, the debtor must understand the nature of the debt, prepare for likely consequences and seek out possible solutions.

1. People find it difficult to make repayments for a number of reasons. Generally, the underlying cause is some kind of changes in personal circumstances such as job loss, divorce, illness or a new baby. In these instances some people may resort to more borrowing in order to pay creditors or household bills. This is not always the best option.
2. Debt problem can lead to depression which affects study habits, academic performance and retention rates.
3. Missing payments or making late payments can result in increased interest rates.
4. Effects of Over-Indebtedness - The personal effects of struggling to repay debt can be far reaching. Sometimes lack of financial awareness can lead to stress, depression, anxiety, mental health problems, relationship breakdown and even suicide.
5. Failure to pay a debt not only has direct financial impact on the borrower but can also bring other unintended consequences. For example, it can affect employment, both for the existing job and future career. Certain professions, such as financial services, may require a credit check at the point of hiring, and an unsatisfactory credit history may disadvantage the job seeker.

### **Possible Solutions to Overcome Debt**

Unexpected crises like huge medical bills, major car repair, job loss, sometimes, arise, bringing financial hardship. Too many are unprepared, forced to rely upon credit cards, loans, or some other means, leading to massive debt. If this is your present situation, you can dig yourself out, but it will take perseverance, hard work and a commitment to be better prepared for future financial hardships. If you have already weathered hard times, you can employ some strategies now that will help you to be better prepared next time. This includes;

#### **1. Debt Management**

This involves a credit counseling session wherein a credit counselor analyses your finances and debts. The counselor prepares a budget for you so that you can put in more money towards paying your bills.

#### **2. Raising Financial Awareness**

In some countries the Government recognises the need to raise financial awareness amongst the general public. The financial cost of debt is not only at the individual level, but there is also a cost to society in general. People who experience stress due to their situations, will probably seek advice from the people who can assist them with these types of issues and may take time off work. Therefore, this has an effect on their productivity due to absenteeism.

#### **3. Learn to live carefully**

Going out to eat, buying the latest styles and keeping up with your neighbours are not important when facing a financial crisis. Clip coupons, buy only necessities and save every spare Toea you can towards an emergency fund. With cash on hand, you will avoid resorting to credit when problems come.

#### **3. Find a part-time job**

Many require little or no formal training, like delivering newspapers or pizzas, telemarketing from home, babysitting or even yard work. If you accrued debt during your financial hardship, apply all your earnings into paying off the credit cards or loans. High interest rates can make you feel you will never be debt-free.

4. Pay off your smallest debt or loan first

Once you manage to pay off the smallest, it will inspire you to pay off the second and any other debts, according to the Dave Ramsey website. After paying off the first debt, you then have more money to apply to others. You can at least begin paying far more than the minimum, thus retiring the debt faster. Like a snowball rolling down a hill getting bigger and bigger, your payment-to-debt ratio will also increase as you get the smaller debts paid.

5. Involve your entire family in pinching Toea

Teenagers can work part-time jobs or get odd jobs helping neighbours, or even tutoring other students. If they make money like this, they will have increased appreciation for the value of a Kina, especially if this is their only spending money. Even elementary-aged school children can collect soda cans to recycle. Once you have learned to live frugally, you will automatically start to save money and invest in your savings account. Having an emergency fund ensures you will be prepared for the next generation.

6. Help others in need

Serving at a soup kitchen, doing community service helping to rebuild someone's home after a disaster or simply running errands for a sick friend or neighbor will make you feel good. It also provides valuable side-a sad reminder that someone is always in worse shape than you.

Below are some more solutions that can be pursued by those who have the need to do so.

### **Some Simple Debt Solutions**

Getting out of debt does not have to be a long, unattractive walk uptight with sacrifice, pain and lowered living standards. It can be an opportunity to connect with what really matters in life-relationships, fulfilling work, responsibility, self-esteem and health pride. There is no need to resort to complex financial machinations, lawyers or counseling services. Debt solutions begin with a firm commitment to get out of debt through consistent actions.

1. Significance

Many families find themselves buried under mountains of debt, with ever increasing portions of their income being devoted towards paying interest, minimum payments and fees. Often, many get trapped in a slippery slope of taking out more debt to finance other loans, sliding down a mountain of plastic cards and paper contracts. The first, hardest and most effective step toward getting out of debt is to stop taking on new loans and credit cards. Commit to reducing debt load or at least maintaining it at its current size every month.

2. Function

This action helps to stop a habit of viewing new debt as a solution to old debt. Earning more than you spend and paying off debt regularly is the only reliable way to reduce debt. Create an action plan for paying off your loans first. Create a budget and stick to it, cutting down on non - essential costs as much as possible. The most common sources of budget bloat are eating out at restaurants and purchasing entertainment products. Eliminate as many recurring costs as possible.

3. Features

Carry around a small note book and pen with you wherever you go. Every time you make a purchase, record it in your notebook along with how much it costs.



This simple solution will help you get an idea of how much you actually spend on a regular basis. Writing up an abstract budget is not nearly as effective as actually recording your real expenditures. Tally up the real results and see if you notice any spending patterns that you could reduce or eliminate.

#### 4. Consideration

Write in debt repayment to your regular budget. Many people assume that they will pay whatever they have left over for a certain pay period to debt repayment. A budget is more effective as a planning tool if it is as specific as possible. Even if the amount of debt repayment that you can afford every month is small, a symbolic payment can have a powerful effect on your financial thinking.

#### 5. Benefits

Enacting these simple debt solutions will not launch you out of debt immediately, but committing to at least getting started on it will convince you that you are not helpless in the face of your debt. Even the lowest wage-earners can start to throw dirt into the pit of debt that they have dug for themselves. The real trick to it is getting addicted to the positive emotional reward that is near universal upon paying off a debt. It is interesting that so many people feel very anxious about debt, but when they start to pay it back, the emotions that come up are almost always those of relief from their tension. Getting hooked on to this positive emotions feedback is a bit like becoming addicted to a drug that makes you healthier.

### The Solution before the Problem

Will raising financial awareness alone tackle the issues of debt problem? It helps for people who are already struggling with debt, but are there other areas the Government should be looking at? If you pay your creditors on time, regardless of what it takes to pay them, you are classed as a good payer and therefore, not a risk when it comes to additional borrowing. In fact, your finances could be in chaos and you could be taking money from one card to pay another but you may still obtain even more credits. The freedom that creditors have to advertise loans, credit cards and mortgages could be challenged as well as how decisions are made regarding lending.



#### Activity 16. 2: Read and answer the questions below

(a) List one (1) negative consequence on a consumer having a debt.

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(b) Is car financing a cause to debt?

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(c) Name one (1) of the possible solutions to overcome debt

---

How did you go with activities 1 and 2? I hope you have answered all the questions and are ready to check with the answers at the end of this lesson.

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**Summary:**

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You have come to the end of your lesson. In this lesson you learnt that;

- A debt is a sum owed by one person to another.
  - Consumer debts are debts owed as a result of purchasing goods that are consumable and / or do not appreciate. Possessing high levels of consumer debt is not beneficial for the average individual because it increases the strain on one's sources of income to maintain regular repayments. If not managed well, consumer debt can lead to bankruptcy.
  - The causes of debt are so many and varied and not usually due to irresponsibility, as it is commonly assumed.
  - The consequences of debt are not pleasing as it can lead to so many other things, e.g. depression.
  - Debt is a man induced - problem and can be overcome if possible solutions are applied.
- 

<b>NOW DO PRACTICE EXERCISE 16 ON THE NEXT PAGE</b>
---

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## Practice Exercise 16

(1) What is debt in general?

---

---

(2) List five (5) causes of debt your family or a relative where you come from, is experiencing from. Do not list the same ones listed in activity 1.

(i). \_\_\_\_\_

(ii). \_\_\_\_\_

(iii). \_\_\_\_\_

(iv). \_\_\_\_\_

(v). \_\_\_\_\_

(3) State two (2) consequences of debt you know of in Papua New Guinea.

(i). \_\_\_\_\_

---

(ii). \_\_\_\_\_

---

(4) In your own opinion, state two (2) solutions you would use to solve debt for yourself, your family or a relative if something happens to them.

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

(5) Will raising financial awareness tackle the issues of debt problem?

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**CHECK YOUR ANSWERS AT THE END OF TOPIC 4**

**NOW YOU MUST COMPLETE ASSIGNMENT 3 THEN SEND IT TO  
THE PROVINCIAL CO-ORDINATOR FOR MARKING**





## **ANSWERS TO TOPIC 4 PRACTICE EXERCISES**

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## Answers to Practice Exercises 13-16

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### Practice Exercise 13

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1. If you have borrowed a mobile phone and lost it then you are in debt to the mobile owner. The mobile owner can accept when you give some money to him/her to settle the debt.
2. Because the person that borrowed Pau Kak's money is dead, he will have to forget about the money.
3. Before borrowing, I must know what I will do with the money that I will borrow and do a plan on how to use the money to make more money to pay interest on the principal.
4. Show the bank where you will be using the money to make more money and make them know that you are working on a business plan for the long run.
- 5.

No	Advantages of Borrowing	Disadvantages of Borrowing
1	You have extra money to do something new to make money	It is not your money and you will have the burden to repay back later
2	You will use the money to meet your needs and wants	You will be under pressure because you have a limit in time to repay
3	If you are a businessman, you can expand your business	You are working for the lender as well as yourself.

---

### Practice Exercise 14

---

1.
  - (i) National Development Bank
  - (ii) Land
  - (iii) 1-3 years
2.
  - (i) Interest will have to be paid on top of the principal amount.
  - (ii) The lender might put a lot of pressure to repay the borrowed money
  - (iii) If money was borrowed to buy assets then they may have to be repossessed.
3. (Students own answer)

## Practice Exercise 15

### CUSTOMERS LOAN DETAILS

PLEASE COMPLETE NEATLY BY HAND AND PRESENT TO ANY BRANCH OF BANK SOUTH PACIFIC

Purchase Price K\_\_\_\_\_ Own Contribution K\_\_\_\_\_  
 Loan Request K\_\_\_\_\_ Purpose Of Loan\_\_\_\_\_  
 Repayment Offered K\_\_\_\_\_ Monthly ☐ Fortnightly ☐

#### YOUR PERSONAL DETAILS

Surname **KOTOKOTO** Given Name(S) **AIBA**  
 Date Of Birth **\_/\_/** Marital Statu **M** Ages Of Children:**2**  
 Full Name Of Spouse: **SOLOMON JACOB** Date Of Birth **\_/\_/**  
 Residential Address **GEREHU S1** Date you moved there: **10/2010**  
 Who owns this house: ☐ self (provided rate notice) ☐ relatives ☐ landlord  
 Landlord name: \_\_\_\_\_  
 Landlord Address: \_\_\_\_\_  
 Previous Residence: **TOKORARA** Length of Residency: **30 YEARS**

Name, address, phone number and relation of nearest relative not living with you.

Name: **DOMINIC HOBI KOTOKOTO**

Relationship: **BROTHER**

Phone at Work: **72790858** Phone at Home: \_\_\_\_\_

Address: **P.O BOX 251, BOROKO**

Email: \_\_\_\_\_ Mobile: **72790858**

Nasfund or Nambawan Super ID Number

Current Driver's License Number (if any) \_\_\_\_\_

#### CREDIT HISTORY — CREDIT REFERENCES, PREVIOUS LOANS, FINANCE COMPANIES, STORES

Institution: **KINA FINANCE LIMITED**

Address: **P.O BOX1141, POM**

Institution: \_\_\_\_\_

Address: \_\_\_\_\_

Attach statements with this application

Have you ever been bankrupt or had any judgment of legal proceedings against you

Yes No Details \_\_\_\_\_

#### EMPLOYMENT DETAILS – SELF

Occupation: **CURRICULUM WRITER**

Employer Name: **TEACHING SERVICE COMMISSION**

Employer Address: **P.O BOX 6268, BOROKO**

Phone Number: **3013303**

Email \_\_\_\_\_

Date Commenced: **2006**

Previous Employer: \_\_\_\_\_ Years There **7**

#### EMPLOYMENT DETAILS – SPOUSE

Occupation: **SELF EMPLOYED**

Employer Name: \_\_\_\_\_

Employer Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_ Email \_\_\_\_\_

Date Commenced: \_\_\_\_\_

Previous Employer: \_\_\_\_\_ Years There **6**

#### CREDIT INFORMATION — Authority to obtain and Provide Personal Financial and Credit Information

The undersigned authorize the Bank South Pacific Limited:

1. To obtain a credit report containing personal financial and credit information in relation to the undersigned from the credit reporting Agency,
2. To utilize the credit report to assist in the assessment of any loan application by the undersigned,
3. To exchange personal financial and credit information in relation to the undersigned with other credit providers including details of loans obtained from the Bank South Pacific Ltd and,
4. To inform the Credit Reporting Agency of any default in the credit provided to the undersigned,

### STATEMENT OF POSITION

#### ASSETS – WHAT YOU OWN

Value of Home K\_\_\_\_\_

Address: Lot: \_\_\_\_\_ Sect: \_\_\_\_\_ Suburb: \_\_\_\_\_

Furniture: **K12,000**

Motor Vehicle Make: \_\_\_\_\_ Year: \_\_\_\_\_ K\_\_\_\_\_

Registration number: \_\_\_\_\_ Model \_\_\_\_\_

Bank Account \_\_\_\_\_ Branch \_\_\_\_\_

**AIBA KOTOKOTO** **K\_10466.12**

K\_\_\_\_\_

Other assets you own ( if a property, advice type of residence, village, or lot, section and suburb

K\_\_\_\_\_

K\_\_\_\_\_

K\_\_\_\_\_

K\_\_\_\_\_

**TOTAL ASSETS** **K22466.12**

#### LIABILITIES – WHAT YOU OWE

Home Loan From: \_\_\_\_\_ K\_\_\_\_\_

Other Loans – Name of lenders

**COURTS** **K\_2513.75**

**OTHER** **K251.00**

**LOANS** K\_\_\_\_\_

K\_\_\_\_\_

**K88.00**

Rates, Taxes, credit account, etc. K\_\_\_\_\_

K\_\_\_\_\_

K\_\_\_\_\_

Other Debts (Hire Purchase etc.) **K\_2852.75**

K\_\_\_\_\_

K\_\_\_\_\_

**TOTAL LIABILITIES**

#### MONTHLY INCOME ( Attach 3 latest payslips & bank financial statement)

Applicants monthly NET Income **K1751.80**

Other Monthly Income – Give Details

K\_\_\_\_\_

K\_\_\_\_\_

K\_\_\_\_\_

K\_\_\_\_\_

**TOTAL INCOME PER MONTH** K\_\_\_\_\_

#### BUDGET- MONTHLY EXPENDITURE

Home Loans K\_\_\_\_\_

Other Loans **K215** K\_\_\_\_\_

Motor Vehicle Running K\_\_\_\_\_

Rent K\_\_\_\_\_

Electricity & Phone **100** K\_\_\_\_\_

Insurance, Rates, & Taxes **K88** K\_\_\_\_\_

School fees **K195** K\_\_\_\_\_

Wantoks **K50** K\_\_\_\_\_

General Living Expenses **K300** K\_\_\_\_\_

**TOTAL EXPENDITURE PER MONTH** **K884.00**

**NET SURPLUS** **K867.80**

The details completed are a true and accurate record

Applicant's Signature

Date

Spouse's Signature

Date



---

**Practice Exercise 16**

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1. A debt is a sum owed by one person to another. In commerce, it is usual for debts to be settled within one month of receiving an invoice, after which interest may be incurred. A long-term debt may be covered by a bill of exchange, which can be a negotiable instrument.
  2. Debt from separation
    - i. Debt due to gambling
    - ii. Debt due to failure of business
    - iii. Debt due to divorce or marriage breakdown
    - iv. Debt from loss of work
  3.
    - i. Too much gambling and drinking
    - ii. Marriage breakdown
  4.
    - i. Counseling
    - ii. Proper budgeting, including saving money for emergency and other daily needs
  5. Yes, it will help people who are already struggling with debt.
- 

<b>REVISE TOPIC 4 AND DO TOPIC 4 TEST IN YOUR ASSESSMENT BOOK 3</b>
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# **ANSWERS TO LESSON ACTIVITIES**

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## Lesson Activity Answers 1-16

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### Lesson 1 Activities

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#### Activity 1.1

1. A Consumer is someone who purchases goods and services to satisfy needs and wants.
2. A Wise Consumer is someone who thinks before making a decision to a buy product.
3. The three main questions to ask yourself before purchasing a product.
  - (a) Do I really want it?
  - (b) Can I afford it?
  - (c) Is there something better?
4. Comparison Shopping means shopping around to obtain the best deal.

#### Activity 1.2

1. Needs are those things which are essential for survival therefore we cannot live without them and wants are those things which we desire to have but we can leave without them.
2. Complementary wants are wants that arise when you purchase an original item.

#### Activity 1.3

1. Goods are tangible items which can be touched or held and used like cars, bread, and clothes.
2. Services are tasks that are performed for us by others.
3. Durable goods are goods that are designed to last for many uses like cars, computers, and pots while non –durable goods are goods that are designed to be use once or few times like biros, soap, and chocolates.

#### Activity 1.4:

- |                  |                 |
|------------------|-----------------|
| (a) Age          | (b) Income      |
| (c) Obsolescence | (d) Advertising |
| (e) Technology   |                 |
2. Income is one factor that affects buying decisions. The more income you have the more goods you can buy to satisfy your needs and wants. The less income the less goods and wants you can consume.

---

### Lesson 2 Activities

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#### Activity 2.1

- (a) Identify the purpose of your purchase
  - (b) Find out about the product
  - (c) Make a shopping list
  - (d) Compare different brands
  - (d) Compare prices at different shop
  - (e) Check date stampings
2. Impulse Buying refers to buying of goods and services without any planning.
  3. Brand refers to the name given to a product by the manufacturer.

4. Quality refers to how well it has been made while quantity refers to the mass or number of items in a product.
5. After-sale Service refers to the attention that the producer or seller will provide after you have bought the product.

**Activity 2.2**

1. All packed products display statement of quantity or volume because it is difficult to judge the quantity or volume of the product by just looking at it.
2. Information on packed products can be found on the label of the product.
3. Food additive is a substance not usually eaten as a food but it is added to the food to improve the taste.
4. Consumers are interested in the manufacturers' details perhaps because they want to purchase product from a certain country. For example – Australian made products or PNG made
5. Consumers check date stamping because they want to avoid consuming expired products.

**Activity 2.3**

1. Budget is a plan of how much money people expect to earn and how they will use it.
2. Two advantages of budgeting can be any of the following
  - (a) Master money
  - (b).Be able to make better decision for the use of money
  - (c).Avoid waste of money
  - (d). Avoid worrying about money problem
3. Expenses refer to the ways of spending our money
4. Savings is part of the income which is not spent

---

**Lesson 3 Activities**

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**Activity 3.1**

- (a) Wise consumers are people who think and analyse situations before they act.
- (b) Wise consumers compare prices, read labels of goods, look out for new products on the market, use different ways of paying for goods etc.

**Activity 3.2**

- (a) It means by law of the government, it is the currency that must be accepted in exchange for goods and services.

**Activity 3.3**

- (a) False  
It a service provided by commercial banks though the businesses, it is not a free service. A fee is charged and is deducted each time a transaction is made by a customer for this service.

---

## Lesson 4 Activity

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**Activity 4.1**

If my school certificate was stolen and used to get a paid job I would report the person to the police and secondly to the place of work where the person is employed.

---

## Lesson 5 Activities

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**Activity 5.1**

(1)

No	Goods	Services
1	pen	light
2	ruler	bus or pmv fare
3	calculator	tutorial fee
4	pencil	phone with internet services
5	books	
6	schoolbag	
7	mathematical set	
8	dictionary	
9	water container	
10	lunch box	

**Activity 5. 2.**

(Students own answer)

**Activity 5.3.**

Students own answer

---

## Lesson Activities 6

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**Activity 6.1**

1.

- (a) Products made without causing pollution
- (b) Products from natural ingredients
- (c) Products without or little package

2.

- (a) Reuse products
- (b) Recycle waste
- (c) Reduce consumption

3.

- (a) Manufactured goods that can be recycled
- (b) Biscuit packet
- (c) Can drinks
- (d) Manufactured goods that can be reused
- (e) Clothes
- (f) Plastic bags \ cordial container

**Activity 6.2**

- (a) Empty cans – they dangerous and unhygienic in public areas and during rainy seasons, they can be a breeding place for mosquitoes
- (b) Smoke from factories – causes greenhouse effect
- (c.) spillage of chemicals into rivers from mines – spoils and kills marine lives eg. fish, prawns, eels and also contaminates water for drinking and washing

**Activity 6.3**

1.
  - (a) Peoples' health
  - (b) Economy of the nation
2. Name three (3) products that cause health problems to the physical body of human beings.
  - (a) Lamb flaps - contains too much fat that can cause obesity and heart diseases
  - (b) Coca cola - contains too much sugar that can cause diabetes, and tooth decay
  - (c) Cigarette - contains nicotine that can cause lung cancer
3. Environmental pollution causes poor production of the nation's cash crops and livestock which results in the decline in the nation's total production.

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**Lesson 7 Activities**

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**Activity 7.1**

A Budget is a written plan on how much money is expected and how it will be spent.

**Activity 7.2**

To increase their savings they should cut down all the non- essentials and control their water and power consumption

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**Lesson 8 Activities**

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1.

Scrambled words	Unscrambled words
(a) Vassgin	savings
(b) Tdgbue	budget
(c) veeeebaarxnsi	variable expense
(d) pteeeirudx	expenditure
(e) mocien	income
(f) fenxpdeeei	fixed expense

2.

Word	Definition
a) Expenditure	spending of the income earned
b) Savings	The leftover from the spending of the income earned, income not fully spent or used
c) Variable expense	Expenses that depend on the value of the income earned
d) Income	Money earned based on the labour given to someone.
e) Budget	A plan on how money can be used
f) Fixed expense	Money spent on products that are stable and do not normally change for a period of time.

## Lesson 9 Activities

### Activity 9.1:

- Students own answers. ( keeping money in the bank, bank cards, interest added )
- ANZ , BSP, WESTPAC, KINA BANK,

### Activity 9.2

ATMS are used to access balances, collect cash and do other business activities.

### Activity 9.3

The payee is Apa Scott Akena, the drawer is Demas Tongogo and the drawee is BSP Bank.

### Activity 9.4

Bank South Pacific minimum is K10, Westpac is K50 and ANZ K100.

## Lesson 10 Activities

**Activity 10.1** Name one of the new banking systems that you know of  
Any of these answers from the list;

Kundu Card  
Automatic Teller Machines – (ATM)  
Electronic Funds Transfer at Point Of Sales- (EFTPOS)  
SMS Banking  
Phone Banking  
Internet Banking  
Visa Debit Card  
Payroll Service

### Activity 10. 2

Short Messages Services

### Activity 10. 3

Through the bank, he/she uses the kundu card / access card /handy card to withdraw from the ATM

## Lesson 11 Activities

### Activity 11.1:

Information:

Bank South Pacific		DEPOSIT SLIP	
DATE 19 / 7 / 12	ACCOUNT TYPE <input type="checkbox"/> Cheque <input checked="" type="checkbox"/> Savings <input type="checkbox"/> Loan	BANK USE ONLY	
ACCOUNT NAME Jeremiah Miria	ACCOUNT NAME Jeremiah Miria	K100	19 / 7 / 12
ACCOUNT NUMBER 1000191644	No. of Cheques 1	K50	Notes 834.00
Teller's Initial & Stamp K	ACCOUNT NUMBER 1000191644	K20	Coin 1.35
This Bank is not responsible for delays in crediting deposit to account	461-985 (11/09)	K10	Cheque 324.50
Proceeds of cheques etc. not to be available until collected		K5	K 1159.85
		K2	
		Coin	
		K	

### Activity 11.2



**Information:**

- Account Name: Esther Aiba
- Account type: Kundusaver
- Date: 20/7/2012
- Account number: 1000188644
- Boroko branch
- Amount in words: two thousand five hundred kina
- Amount in figures: K2500

BSP		WITHDRAWAL																					
<b>Account</b> (Tick appropriate box) <input type="checkbox"/> KunduSaver <input type="checkbox"/> Passbook <input type="checkbox"/> Achiever		<b>Teller Use</b> <b>Payment Specification</b>																					
Branch No. <u>8 2 9 4</u> Account No. <u>1 0 0 0 1 8 8 6 4 4</u>		Date <u>20 / 7 / 12</u>																					
Account Name <u>Esther Aiba</u>		<table border="1"> <tr><td>K100</td><td></td></tr> <tr><td>K50</td><td></td></tr> <tr><td>K20</td><td></td></tr> <tr><td>K10</td><td></td></tr> <tr><td>K5</td><td></td></tr> <tr><td>K2</td><td></td></tr> <tr><td>Coins</td><td></td></tr> <tr><td>S/Total</td><td></td></tr> <tr><td>Other</td><td></td></tr> <tr><td>K</td><td></td></tr> </table>		K100		K50		K20		K10		K5		K2		Coins		S/Total		Other		K	
K100																							
K50																							
K20																							
K10																							
K5																							
K2																							
Coins																							
S/Total																							
Other																							
K																							
Amount in Words <u>Two thousand five hundred kina</u>		Final Balance <u>K 2500</u>																					
Signature(s) or Mark(s) and Keyword(s) <u>E. Aiba</u> Teller																							

**Activity 11. 3:**

Teller Use	
Payment Specification	
K100	<u>20 = 2000</u>
K50	<u>10 = 500</u>
K20	
K10	
K5	
K2	
Coins	
S/Total	
Other	
K	<u>2500</u>
Final Balance	
K	<u>2500</u>

**Lesson 12 Activities****Activity 12. 1**

01 / 03 / 2012	<b>BSP</b> Bank of South Pacific Limited PORT MORESBY		214684
NANCY UNAVI - Contract Writing for Science Department	PAY <u>Nancy Unavi</u> OR BEARER		DATE <u>01 / 03 / 2012</u>
K1700	THE SUM OF <u>One Thousand Seven Hundred Kina Only</u>		K <u>1700</u>
	FLEXIBLE OPEN & DISTANCE EDUCATION (CODE)		
214684	214684 088 294 1000588 15		

**Activity 13. 2:**

After you complete Activity 1 (a), you should move on to write up its butt. Remember, a cheque butt is the part that remains in the cheque book after cheques have been written and paid out.

**Activity 13. 3**

The advantages of operation a cheque account are:

- there is no need to carry cash
- it is easy to make payments to the correct party
- the account holder can pay in any denomination, there is no changing problem
- it provides a record of all payments made by cheques

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**Lesson 13 Activities**

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**Activity 13.1**

- (a) Borrowing is taking something from someone in order to give it back with interest at a later date.
- (b) In a class test, everyone in the class is busy and I have no calculator. I can then borrow the teacher's calculator to use in the test.

**Activity 13.2**

- (a) State the main reason why people borrow money?  
People borrow money when they have no money or when they need more money to satisfy their needs and wants.
- (b) Name any three closest people whom you will easily borrow money from when you need it.
1. (a) my parents  
(b) my relatives  
(c) my best friends
- (d) The reasons for borrowing money entirely depends on the needs and wants of every borrower. Then explain what are needs and wants, and provide (3) main examples to each. Needs are things that are very important in life that you cannot live without in a given time while wants are things that you desire to have for the fun of it.  
Needs: Food, shelter and clothes Wants: shoes, bicycles and sun glasses

**Activity 13.3:**

- (a) Before lending money to a borrower, a lender (e.g. a bank) may wish to know you personally. The first one is done for you so do the same for the rest.
- i. the type of business: **trade store or hire car business**;
  - ii. the reason for the loan: start business or extend business
  - iii. the amount to be borrowed: according to plan
  - iv. how the money is to be repaid: either fortnightly or monthly
  - v. the terms of the loan: as approved by bank
  - vi. what security can be offered: things that I have now
- (b) How can a borrower show that he/she can repay the money borrowed?  
Show the lender what you have done and also show the plan that you have drawn up to use the money you are borrowing

**Activity 13.4:**

- (a) Debt in a business is money that you borrowed but you still have not repaid the lender. Example: a Landowner from Hela Province borrowed K2000.00 from a street seller. Because he has no money to pay back on the agreed time of repayment and time lapsed, the Tari man has a debt to the street seller.
- (b) Interest is the extra amount of money that is paid for a certain period that you are keeping or using the borrowed money.

**Activity Answers****Activity 1**

A Loan is money lent on the condition that it is repaid either in instalments or all at once on an agreed date and usually that the borrower pays the lender.

**Activity 3**

Give two advantages of borrowing money.

**Activity 3**

A commercial bank accepted the following loan application and each one have agreed to a monthly flat rate repayment method during their interviews. Using the formula  $\text{Principal} \times \text{Rate} \times \text{Time}$ , calculate the rate of interest for each one. Finally state the total payable.

---

**Lesson 14 Activitives**

---

- (i) K10 000 borrowed for six (6) months at 10% interest.

Principal x Rate x Time

$$K\ 10000 \times 10\% \times 6/12 \quad (K\ 10000 \times 10/100 \times 6/12 = K\ 500)$$

Month 1- K 500

Month 2- K 500

Month 3- K 500

Month 4- K 500

Month 5- K 500

Month 6- K 500

$$K\ 10000 + (K\ 500 \times 6 = K3000) = K13\ 000$$

- (ii) K3000 borrowed for five (5) months at 12% interest.

Principal x Rate x Time

$$K3000 \times 12\% \times 5/12 \quad (K3000 \times 12/100 \times 5/12 = K\ 150)$$

Month 1- K 150

Month 2- K 150

Month 3- K 150

Month 4- K 150

Month 5- K 150

$$K3000 + (K\ 150 \times 5 = K\ 750) = K3750$$

- (iii) K6000 borrowed for nine (9) months at 10% interest.

Principal x Rate x Time

$$K6000 \times 10\% \times 9/12 \quad (K6000 \times 10/100 \times 9/12 = K\ 450)$$

Month 1- K 450

Month 2- K 450

Month 3- K 450

Month 4- K 450

Month 5- K 450

Month 6- K 450

Month 7- K 450

Month 8- K 450

Month 9- K 450

$K6000 + (K 450 \times 9 = K4050) K10\ 050$

---

## Lesson 15 Activities

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### Activity 15. 1

Have you ever had the chance to see a loan application form? What kinds of information did you see on the form? List some very common information that will surely appear on a loan application form.

Personal Details on any Finance Company Application Form

- Mr/Mrs/Miss
- Surname
- First name
- Date of Birth/Age
- Is this your first application
- Your Home Village /Province
- Driver's driving license
- Residential address street suburban / town / province / Number of years lived there
- Previous address
- Your email address
- Home number / Bmobile number / Digicel number
- Name of spouse
- Marital status
- Number of dependents
- Name of relative or friend not living with you/ relationship to this person/their address/their number

Personal Details on the BSP Loan Application

- Surname
- Given name
- Date of Birth
- Marital Status
- Ages of children
- Full name of spouse / date of birth
- Residential address / date you moved there / who owns this house – self, relatives, landlord – give details
- Previous residential / length of residency
- Name / address / phone number / and relationship of nearest relative not living with you
- Nasfund or Nambawan Super ID Number / Current driver's Licence Number

### Activity 15. 2

- (a) Assets  
Assets are items owned by a person or a firm such as cars, houses, land, or furniture
- (b) Liabilities  
Things that someone owes to another and that includes money
- (c) Income  
The amount of money received over a period of time either as payment for work, goods or services, or as profit on capital
- (d) Expenditure  
Amount of money spent on specific things such as school fees, rent, telephone and bills.

**Activity 15. 3**

- (a) Erica Inai  
(b) NCD FODE Provincial Coordinator, Education Department  
(c) So the bank can analysis the financial position of the person and decide whether he/she is in a better financial position to obtain a loan

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**Lesson 16 Activities**

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**Activity 16.1**

(a) *Consumer debts are debts owed as a result of purchasing goods that are consumable and or do not appreciate. Possessing high levels of consumer debt is not typically beneficial for the average individual because it increases the strain on one's sources of income to maintain regular payments. If not managed well, consumer debt can lead to bankruptcy.*

(b) *The causes of debt can make people feel ashamed, guilty, frustrated, and angry and can seriously affect both their mental and physical health. It can also be the cause of a relationship breaking down amongst other things.*

(c)

- *Ignoring the debt problem is one of the main causes of debt.*
- *Not working out a budget so forgetting about occasional items such as school expenses, Christmas etc.*
- *Be unrealistic about needs such as food, fuel, clothing, etc.*  
*Not informing your creditors that you are in difficulty. Reputable lenders will have a reasonable view if they know the circumstances*
- *Not maintaining agreements with creditors, maintain it without fail. Do not ignore letters, reminders or default notices.*
- *Not attending court hearings.*
- *Borrowing more money to pay off existing debts. This increases your outgoings and just delays dealing with the problem.*
- *Not prioritizing mortgage and rent payments. Remember that your home may be at risk if you do this.*

**Activity 16. 2**

- (a) *List one consequence of debt with a consumer*  
*Missing payments or making late payments, can result in increased interest rates.*
- (b) *Is car financing a cause to debt? Yes*
- (c) *Name one of the possible solution to overcome debt*  
*Proper budgeting*

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<b>END OF ANSWERS TO LESSON ACTIVITIES FOR YOUR UNIT EXAMINATION</b>
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