



## PERSONAL FINANCE UNIT

### PRIMARY FOCUS

Business Core: Economics and Financial Concepts, Employability Skills; Accounting and Finance: Accounting Procedures, Financial Analysis, Financial and Managerial Accounting; Business Management: Economics

### BUSINESS STANDARDS COVERED

#### CTE Foundation Standards

- Economics and Financial Concepts: FS1.1.3(12.1), FS1.1.3(12.2.2)
- Employability Skills: FS3.3.1
- Economics: FS1.1.3(12.3.4), FS1.1.3(12.2.9), FS1.1.3(12.2.5)
- Mathematics: FS1.1.1(1.2), FS1.1.1(1.3), FS1.1.1(1.7)

#### CTE Pathway Standards

- Accounting Services: A1.1.2, A4.4.1, A4.4.2, A4.4.4
- Banking and Related Services: B2.2.1, B3.3.3
- Business Financial Management: C1.1.1, C3.3.3, C4.4.1

### INTRODUCTION

The Real World and Virtual World application for the employees' personal finance is similar.

#### Real World Application

The primary purpose of personal finance in the real world is to pay one's bills monthly in accordance with monthly income. In order to keep one's good credit with the bank(s) and credit card companies, these bills should not exceed monthly income. Although these bills may vary month to month, the total of these bills should be approximately the same each month. It is always advisable to put a certain percentage (about 10%) of monthly income into some form of savings. Most people in the real world will pay their bills with checks or automatic debit from their checking accounts. Some will actually pay via online banking. However, at present, individuals who do most online banking pay their loans to the financial institution where their accounts are kept. All financial institutions will send their customers monthly statements on all of their accounts. These customers should then reconcile their checkbooks with their statements to give them an accurate balance in their checking accounts.

#### Virtual World Application

One of the goals of the Virtual Business course is to provide simulated real-life experiences in the arena of personal finance. In an attempt to simulate what happens in life when one enters the workforce, each Virtual Enterprise employee will be given the opportunity of maintaining his or her own personal finance. Each employee will receive a monthly paycheck, determined by the individual Virtual Enterprises, and will be expected to pay certain specific bills weekly and monthly. They will also be expected to pay on their orders from other Virtual Enterprise companies once an invoice (or bill) is received. These payments will be made in two ways: a hand written check followed by online transfers of funds to the various companies from which their bills come. Each Virtual Enterprise branch bank manager will generate a monthly statement for each employee, just as is done in the real world. The Virtual Enterprise employee will then reconcile their checkbook register with this statement.

#### Why is Personal Finance necessary?

Since everyone who works in the real world must pay specific weekly and monthly bills, it is

important that the Virtual Enterprise employee understand this procedure for future payment of their real bills. It is also important that the Virtual Enterprise employee understand that his or her total monthly bills should not exceed his or her total monthly income. Determining a monthly budget for expenditures will be based on the employee's monthly income.

## OBJECTIVE

- Each employee will correctly fill out a W-4 form upon acceptance of specific job.
- Each employee will be able to deposit his or her monthly paycheck in his or her local Virtual Enterprise branch bank with the branch bank manager.
- Each employee will produce a weekly and monthly budget by using a Percentage Chart for Expenses, Excel, and/or the Check Register Form to be kept in his or her Personal Finance folder.
- Each employee will write weekly and monthly checks to pay for his or her living expenses and will also withdraw these living expenses electronically from his or her US Network Bank account to pay these specific expenses to various ?real? Virtual Enterprise companies or to mock Virtual Companies.
- Each employee will make miscellaneous purchases, other than basic living expenses, from a minimum of four (4) to six (6) different Virtual Enterprise companies per month to keep money flowing in the virtual network.
- Each employee will write checks to pay for purchases from other Virtual Enterprise companies when the invoice is received and will also electronically transfer the funds for purchase payments from his or her US Network Bank account to the Virtual Enterprise companies requesting payment.
- Each employee will deposit his or her written checks for living expenses and miscellaneous purchases from Virtual Enterprise companies with the local Virtual Enterprise branch bank manager.
- Each employee will maintain a check register, reconcile the check register with his or her bank statement, and balance his or her checkbook monthly.
- Each employee will be able to interpret his or her W-2 form for the filing of yearly taxes.

Each employee will correctly file the federal 1040EZ income tax form and the California 540EZ state tax form by April 15th of each year.

## IMPLEMENTATION

### **Time Line: 1<sup>st</sup> Quarter & 2<sup>nd</sup> Quarter**

- October 15 - November 15 (establishment of personal weekly and monthly expenses)
- November 1 - May 31 (various monthly activities)

## RECOMMENDED STEPS TO FOLLOW

The following steps should be followed in the employee's personal finance:

1. Fill out W-4 form once job assignment has been accepted.
2. Determine fixed weekly and monthly living expenses and flexible purchase expenses once job assignment and salary is known (refer to Personal Finance Assignment Lesson and Percentage

Chart of Expenses).

- A. Payment of bills begins in November.
3. Produce the weekly and monthly budget using a Personal Finance Chart and/or Excel spreadsheet.
4. Deposit paycheck in the local Virtual Enterprise branch bank.
  - A. Branch bank manager to set up individual US Network Bank accounts (refer to Branch Banker Role Lesson).
  - B. Branch bank manager to deposit 1 month's gross salary in each employee's account by October 30th.
5. Write checks by the 10th of each month to pay for the following fixed living expenses, including, but not limited to: (refer to How to Write a Check Lesson)
  - Rent (or mortgage payment)
  - Renters Insurance
  - Electricity (utility)
  - Gas (utility)
  - Water (utility)
  - Telephone (utility)
  - Cable TV (utility)
  - Car Insurance
  - Savings Account (transfer from checking to savings)
6. Write checks weekly to pay for the following fixed living expenses, including, but not limited to:
  - Gasoline
  - Food
  - Household Supplies
7. Record all fixed living expense checks in Check Register. Balance checkbook (refer to Balance Checkbook Lesson).
8. Transfer fixed living expenses electronically from US Network Bank account to specific "real" Virtual Enterprise companies or "mock" Virtual Companies.
9. Go through various Virtual Enterprise catalogs, order forms, advertisements, and Web sites to determine what you would like to purchase with your flexible dollars.
10. Make individual flexible personal purchases from a minimum of four (4) to six (6) different Virtual Enterprise companies monthly, including, but not limited to:
  - Entertainment (CDs, DVDs, concerts, etc.)
  - Clothing/Shoes
  - Investments (401k plans, IRAs, etc.)
  - Car Purchase
  - Personal Items
  - Electronics (TVs, VCRs, Computers, etc.)
  - Sporting Goods
11. Write checks for personal purchases and electronically transfer purchase amount(s) to various Virtual Enterprise companies upon receipt of payment invoice (refer to How to Write a Check Lesson).
12. Record all flexible personal purchases in Check Register when purchases are paid for. Balance checkbook.
13. Give all written checks for fixed weekly and monthly living expenses and for flexible personal purchases to branch bank manager at the end of each week.
14. Reconcile personal check register with personal bank statement issued by branch bank manager at the end of each month (refer to Balance Checkbook Lesson).
15. Receive and review W-2 form for totals from November to March paychecks.
  - Issued to employees by no later than April 10th.

16. Fill out federal 1040EZ income tax form and California 540EZ state tax for using the information from the W-2 form.

17. File both tax forms with branch bank manager by no later than April 15th.

18. Turn in all written checks each month to branch banker.

Maintain cancelled checks and update personal finance files/folders each month.

## RUBRICS

A [Personal Finance](#) Rubric and [Grade Summary](#) have been provided for evaluation purposes.

## OTHER RESOURCES

See the following web sites for further information regarding:

### **Figuring Household Budgets (General Information):**

- <http://www.dacomp.com>
- <http://www.organizeyourdollars.com>
- <http://www.kiplinger.com>

### **Figuring Personal Finance (Specific Information):**

- <http://pge.com> - to help calculate your gas and electric costs
- <http://pacbell.com> - to help calculate phone bills (base, call waiting, three-way calling, caller ID)
- <http://www.calwater.com> - to help calculate water bill
- <http://www.twcbak.com> - to help calculate cable TV bill
- <http://www.bakersfield.com> - to help calculate housing costs (purchase/rent)
- <http://www.statefarm.com> - to help calculate car insurance rates
- <http://www.bakersfield.com> - to help calculate cost of vehicles (new/used)

### **How to Write Checks, Balance Checkbooks, and Reconcile Bank Statements:**

- <http://www.ehow.com>
- <http://www.learn2.com>

### **Figuring Taxes from State to Federal:**

- <http://www.ftb.ca.gov>
- <http://www.irs.ustreas.gov>
- <http://ftp.fedworld.gov>
- <http://www.boe.ca.gov>

### **Miscellaneous Reference:**

<http://www.entrepreneurmag.com>