IMI Life Skills lesson plan

Topic: Finance & money

Context: Buying a Car

This IMI life skills activity will support young people to be able to prepare a cash-flow forecast and to understand the importance of cash flow and how to improve it whilst preparing on saving and budgeting to own your first vehicle.



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Topic: Finance & money

Context: Buying a Car

**Learning Objectives:**

* To be able to prepare a cash-flow forecast.
* To understand the importance of cash flow and how to improve it.

**Task 1:**

You are buying a Ford Fiesta 1.3L car on a finance plan for £5795. Your parents have agreed to give you the £2000 deposit, but you must fund the rest out of your Apprentice salary of £320 per month (after tax and National Insurance). Fill in the cash-flow plan taking account of the following:

* Monthly car repayments are £96.20 (from the second month, no payment for the first month)
* You need to tax the car as soon as you get it which costs £130 for the year.
* You insure the car - £185 for the first month and £85 per month for the rest of the year.
* You will need to allow £40 per month for fuel.
* On your Birthday in July, you get £100 in cash.
* Your car needs an MOT in July which costs £50.
* Your car has to be serviced in September which costs £150.
* You get a flat tyre in November and pay £55 for a new one.
* You ask for money for Christmas and get given £200
* You have a major engine problem in January and split the cost of repair over January and February. You pay £410 in January and £270 in February.

Remember the closing balance each month is your total income less your total payments plus whatever you had left in the bank from the month before.

**Task 2:**

Produce a PowerPoint presentation detailing what other monthly expenses you would expect to have as an apprentice and realistically how much you can expect to have at the end of the year.

**Teacher notes:**

This task gives students some experience of forecasting and can be used to explain why companies use a cash-flow forecast. There will be the opportunity to cover the types of costs and expenditure that students might see on a cash flow forecast and to become familiar with relevant key terms and phrases.

**Support materials:**

A cash flow plan template is provided in each student pack.

Buying a Car – cash flow template

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| **Income** |  |  |  |  |  |  |  |  |  |  |  |  |
| Deposit from parents |  |  |  |  |  |  |  |  |  |  |  |  |
| Salary |  |  |  |  |  |  |  |  |  |  |  |  |
| Extra Cash |  |  |  |  |  |  |  |  |  |  |  |  |
| **Total Income** |  |  |  |  |  |  |  |  |  |  |  |  |
| **Payments** |  |  |  |  |  |  |  |  |  |  |  |  |
| Deposit on car |  |  |  |  |  |  |  |  |  |  |  |  |
| Monthly Repayments |  |  |  |  |  |  |  |  |  |  |  |  |
| Insurance |  |  |  |  |  |  |  |  |  |  |  |  |
| Fuel |  |  |  |  |  |  |  |  |  |  |  |  |
| Tax |  |  |  |  |  |  |  |  |  |  |  |  |
| MOT |  |  |  |  |  |  |  |  |  |  |  |  |
| Service |  |  |  |  |  |  |  |  |  |  |  |  |
| Unexpected Expenses |  |  |  |  |  |  |  |  |  |  |  |  |
| **Total Payments** |  |  |  |  |  |  |  |  |  |  |  |  |
| **Closing Balance each month** |  |  |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| **Income** |  |  |  |  |  |  |  |  |  |  |  |  |
| Deposit from parents |  |  |  |  |  |  |  |  |  |  |  |  |
| Salary |  |  |  |  |  |  |  |  |  |  |  |  |
| Extra Cash |  |  |  |  |  |  |  |  |  |  |  |  |
| **Total Income** |  |  |  |  |  |  |  |  |  |  |  |  |
| **Payments** |  |  |  |  |  |  |  |  |  |  |  |  |
| Deposit on car |  |  |  |  |  |  |  |  |  |  |  |  |
| Monthly Repayments |  |  |  |  |  |  |  |  |  |  |  |  |
| Insurance |  |  |  |  |  |  |  |  |  |  |  |  |
| Fuel |  |  |  |  |  |  |  |  |  |  |  |  |
| Tax |  |  |  |  |  |  |  |  |  |  |  |  |
| MOT |  |  |  |  |  |  |  |  |  |  |  |  |
| Service |  |  |  |  |  |  |  |  |  |  |  |  |
| Unexpected Expenses |  |  |  |  |  |  |  |  |  |  |  |  |
| **Total Payments** |  |  |  |  |  |  |  |  |  |  |  |  |
| **Closing Balance each month** |  |  |  |  |  |  |  |  |  |  |  |  |

Pupil work sheet – buying a car.

Learning Objectives:

* To prepare a cash-flow forecast.
* To understand the importance of cash flow and how to improve it.

Task 1

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Task 2

Produce a table (attached template) detailing what other monthly expenses you would expect to have as an apprentice and realistically how much you can expect to have at the end of the year. From October to February, your repayment will rise by 10% - add this in to your forecast.

Cashflow chart template

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
| Income |  |  |  |  |  |  |  |  |  |  |  |  |
| Deposit form parents |  |  |  |  |  |  |  |  |  |  |  |  |
| Salary |  |  |  |  |  |  |  |  |  |  |  |  |
| Extra cash |  |  |  |  |  |  |  |  |  |  |  |  |
| **Total Income** |  |  |  |  |  |  |  |  |  |  |  |  |
| **Payments** |  |  |  |  |  |  |  |  |  |  |  |  |
| Deposit on car |  |  |  |  |  |  |  |  |  |  |  |  |
| Monthly repayments |  |  |  |  |  |  |  |  |  |  |  |  |
| Insurance |  |  |  |  |  |  |  |  |  |  |  |  |
| Fuel |  |  |  |  |  |  |  |  |  |  |  |  |
| Tax |  |  |  |  |  |  |  |  |  |  |  |  |
| MOT |  |  |  |  |  |  |  |  |  |  |  |  |
| Service |  |  |  |  |  |  |  |  |  |  |  |  |
| Unexpected expenses |  |  |  |  |  |  |  |  |  |  |  |  |
| **Total payments** |  |  |  |  |  |  |  |  |  |  |  |  |
| **Closing balance each month** |  |  |  |  |  |  |  |  |  |  |  |  |