

New South Wales Commerce and Mathematics

Module 1 Earning an income



Financial Literacy
Curriculum Resource
2008 Revised Edition

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Introduction

The Commonwealth Bank has been supporting education for more than 70 years, since the introduction of school banking in 1931. In 2003, we strengthened our commitment to education through the establishment of the Commonwealth Bank Foundation.

The Foundation seeks to encourage developments in education, particularly the financial literacy skills of young Australians, and aims to create awareness, skill and understanding of the benefits of a more financially literate community.

By helping our young people to understand money management, we will empower them to take effective decisions to achieve their financial goals.

With this in mind, we are pleased to announce the availability of a national financial literacy curriculum resource which has been developed to support the teaching of financial literacy in the classroom.

Developed by a National Steering Committee comprising representatives across a broad range of state and territory education departments, sectors and professional teachers' associations, the curriculum materials have been designed to support the teaching of financial literacy in Years 7 to 10.

This practical and relevant curriculum resource has been designed to be easily incorporated into a number of subject areas and has been mapped to the curriculum in each state and territory.

There are twelve modules covering:

- Earning an income
- Spending and saving
- Consumer decisions
- Consumer protection
- Buying a car
- Financial services
- Managing finances
- Consumer awareness
- Personal investment
- Planning and running a business
- Impact of technology
- Economics of everyday finance

The resource materials can be easily downloaded via the Commonwealth Bank Foundation's website www.commbank.com.au/foundation

We hope you find this resource a valuable tool to use in your classroom.

The Commonwealth Bank Foundation Team



Module 1: Earning an income

Background scenario

The case studies are developed around two families: the Drivers and their relatives the Fullbricks; as well as their friends and workmates. The Drivers, Ilse and Laurie, have two teenagers: Elizabeth, aged 15, and Nathan, aged 17. Both work part-time. Ilse has ongoing medical problems and Laurie works for a small trucking company. Grandmother Josefina lives with the family. The second family is the Fullbrick family, to whom they are related through Uncle Frank, Ilse's wealthy brother. Frank Fullbrick runs a construction company, and his partner Sella is a marketing manager. Mark is their teenage son.

Royce lives next door to the Drivers and is good friends with Nathan and Elizabeth.

Teacher notes

This topic addresses the following issues:

- sources and types of income;
- financial issues associated with earning an income and types of employment; and
- reasons for taxes.

Stimulus material provided:

- H.1.1 Sources of income.
- H.1.2 Sample payslip.
- H.1.3 Sample payment summary.
- H.1.4 Opinions about tax.

There are also general teacher notes available at the beginning of each unit.

Key terms and definitions

Australian Business Number (ABN)	An identifying number that every Australian business must have.
Award	Employment contract based on a court decision outlining minimum pay and conditions.
Employment Contract	An agreement about wages and conditions of work.
Goods and Services Tax (GST)	A broad-based tax, currently at 10 per cent, on most goods and services in Australia. Some essential items are exempt, e.g. fresh fruit and vegetables.
Income	Money obtained from working, interest, dividends, selling assets and other sources.
Income tax	Money paid from earnings to the Australian Government at a progressive rate, i.e. when you earn more money, you pay a higher rate of tax. Current tax rates can be found at http://www.ato.gov.au
Occupation	A job.
Tax file number (TFN)	An identifying number received after registration with the Australian Taxation Office. This is needed for employment.
Tax threshold	A level of income above which the proportion of tax you pay increases. Current tax rates can be found at http://www.ato.gov.au

Task 1: Income, employment contracts and tax requirements

Teacher notes

This task provides opportunities to expand discussions to include issues such as: part-time versus casual employment, including issues related to the casualisation of the workforce; pay rates, such as age-related minimum wage; career choices; and other sources of income. These issues are beyond the scope of the personal financial literacy focus of these units, but you may find that there are good opportunities to link to other state/territory specific syllabus/curriculum outcomes.

In Task 1A, students will be asked to locate information regarding award conditions for employment related to the scenario from a Federal Government website. This information is state/territory specific and will be differently accessed through this site depending on where you are. It may be advisable for you to visit the website prior to undertaking the activity in class to ensure the information can be quickly located. If it is not possible to have internet access during the class, the information can be printed and distributed to the class.

For Task 1B it will be helpful if you are able to seek out a range of payslips to compare information held therein, deleting personal information where appropriate.

Scenario

Elizabeth is very excited about her new part-time job at Foodworld, the local supermarket, working at the check-out. She investigates her award and related matters including hourly rate, penalty rates, tax, and tax-free threshold. Nathan says he'd rather be a casual employee because the hourly rate is higher.

Student activities

Task 1A. Income, employment contracts and taxation requirements

- Use the stimulus *H.1.1 Sources of income*, to make a list of all the likely sources of earned and unearned income that appear in the script.
- Visit the website <http://jobsearch.gov.au/joboutlook/> and investigate the list of occupations (alphabetical). Investigate the key features of Elizabeth's new occupation as a check-out operator and cashier. Record the following information in a table:
 - weekly earnings full-time
 - job prospects
 - gender breakdown
 - main age group
 - % working full-time
 - typical role and working conditions
 Now repeat this exercise for an occupation of your choice.
- Visit <http://www.workplace.gov.au> and click on 'Pay, Leave and Conditions' on the left hand side.
 - List the types of agreements under which Elizabeth could be covered.
 - Find the specific award for retail workers in your state or territory and look up her award pay and conditions.
 - Make a list of 5 key points about her wages and conditions (e.g. hourly rate of pay as a part-time employee).

Learn about, *Learn to*

Commerce

1.2 Personal Finance Earning an income

- Types of income - from work, investments, business ventures and social welfare programs
- Identify different types of income*

2.2 Employment Issues The workplace

- Types of employment - casual, part-time, full-time, self employed
- Identify the range of employment options available to young people*
- Examine the advantages and disadvantages associated with different types of employment for men and women*
- Types of employment contracts - awards, enterprise agreements, rights and entitlements of casual, part-time and full-time employment

Task 1B. Payslip analysis

Examine the stimulus *H.1.2 Sample payslip*.

1. Identify the major information included on a payslip and label the components (parts) of the payslip provided. (One has been completed for you.)
Note: employers must give you a payslip within one day of paying you.
2. Compare other payslips, looking for the information you have identified that is necessary on a payslip.

Task 1C. Class discussion

Elizabeth may choose between part-time or casual employment.

Discuss with the class:

- the advantages and disadvantages of each (think about issues related to pay, hours worked, termination of employment and flow-on effects such as signing finance-related contracts, e.g. obtaining a credit card)
- what type of employment Elizabeth should choose (giving reasons)
- what Elizabeth could do if her employer offers her cash but no payslip.

Task 1D. Payment summary analysis

Examine the stimulus *H.1.3 Sample payment summary*.

Visit <http://www.ato.gov.au> and look up the section "Individual".

1. Outline five reasons why you need a tax file number.
2. Describe how you get a tax file number.
3. Identify the amount of tax Elizabeth paid on *H.1.3 Sample payment summary*. Calculate the proportion of her income that she paid in tax.
4. Find the tax calculator on the website and find out how much tax Elizabeth will pay on her annual income if she earns (i) \$8,000, (ii) \$22,000 this year.
5. Explain the tax-free threshold in one paragraph.

- *Use the internet to investigate different types of employment contracts*
- *Discuss the advantages and disadvantages of each type of employment contract*
- *Research the employment conditions of casual, part-time employees and contractors.*

Mathematics**NS5.1.2****Consumer Arithmetic**

- calculating earnings for various time periods from different sources including: wage, salary, commission, piecework, overtime, bonuses, holiday loadings
- calculating weekly, fortnightly, monthly and yearly incomes
- calculating income earned in casual and part-time jobs considering agreed rates and special rates for Sundays and public holidays
- calculating net earnings considering deductions such as taxation and superannuation
- *compare employment conditions for different careers where information is gathered from a variety of mediums including the Internet eg employment rates, payment*
- *interpret the different ways of indicating wages or salary in newspaper "positions vacant" advertisements eg \$20K*
- *read and interpret pay slips from part-time jobs when questioning the details of their own employment*

Commerce**2.2 Employment Issues****Taxation and superannuation**

- Taxation - reasons for taxes, types of taxes, processes of paying taxes
- *Describe the range of services funded by taxation*
- *Complete a basic taxation return and declaration*
- *Explain the relationship between taxation, income and government funded services*

Task 2: Why pay income tax?

Teacher notes

Teachers may like to use *H.1.4 Opinions about tax*, to stimulate debate and discussion on this task, which may be undertaken in groups.

Scenario

Elizabeth is shocked at the amount of tax deducted from her payslip. She accepts reluctantly that she needs to pay income tax. Laurie tells her that without her contribution to income tax revenue, people like Ilse could not get disability allowances or pensions. They discuss the reasons why we should all pay tax and how it can improve their lives and those of others around them.

Student activities

Task 2A. Why pay income tax?

1. Read the information provided on *H.1.4 Opinions about tax* and discuss with the class. Address the following questions:
 - a. where do different levels of government get their money from (e.g. different taxes go to different levels of government)?
 - b. what services do you expect governments to provide and how can they pay for these?

Task 2B. Tax presentation

In groups, prepare a poster, multimedia presentation or video for the class on income tax. You should:

- explain what income tax means
- draw up a list of reasons why people should pay tax
- describe the services governments (Local, State, Federal) provide from taxes they collect
- explain how greater government spending could improve your school, hospital or local library
- describe community views about tax. To obtain community views you will need to interview your parent or other adults about why people should pay tax, and what they think of Australia's tax system. If it is not possible to conduct the survey in the community, teachers in the school may be the subject of your investigation.

Your presentation should be creative and informative and target a youth audience. To gather information, you can use your notebook, textbook or relevant Internet sites.

Learn about, *Learn to*

Commerce

2.2 Employment Issues

Taxation and superannuation

- Taxation - reasons for taxes, types of taxes, processes of paying taxes
- *Describe the range of services funded by taxation*
- *Complete a basic taxation return and declaration*
- *Explain the relationship between taxation, income and government funded services*

Mathematics

Consumer Arithmetic

NS5.1.2

- calculating net earnings considering deductions such as taxation and superannuation
- *read and interpret pay slips from part-time jobs when questioning the details of their own employment*

Data Analysis and Evaluation

DS4.2

- formulating key questions to generate data for a problem of interest
- refining key questions after a trial
- recognising the difference between a census and a sample
- *work in a group to design and conduct an investigation, eg*
 - *choose appropriate methods of presenting questions (yes/no, tick a box, open-ended etc)*
 - *analyse and present the data*
 - *draw conclusions*

H.1.1 Sources of income

- Elizabeth: Hey Nathan, I just got my pay! Beat \$500 for a fortnight's work!
- Nathan: Hey Elizabeth, I just made \$200 from my eBay sale: remember the autographed football I won?
- Ilse: Well, I'd better start thinking then! Perhaps I could set up a stall at the markets on Saturday to sell those dog collars I made. Maybe I could sell that Russell painting I've been storing. I need to do something to help me while I'm on sick leave. Thank goodness for those Centrelink payments. They help a lot with your books and uniforms!
- Laurie: Buy a lottery ticket instead, or go to the races on Saturday. It will be more fun!
- Elizabeth: Since when did you win anything that way Dad?
- Laurie: Well I did win \$100 on NoGo four years ago!
- Elizabeth: Four years ago Dad! I rest my case!
- Nathan: There have to be easier ways to make money!
- Ilse: Yes, well while you are thinking about that, how about cleaning your revolting room, washing the dog, taking out the garbage, and making us all a sandwich for lunch while I hang out the washing! You get \$50 a week in pocket money, I think now it's time for a bit of effort!
- Nathan: When I'm older, I'm going to run my own business like Frank, and make sure I make a good profit. I want to get rich, and be an entrepreneur. I'm not interested in working for other people!
- Ilse: You'll need to convince other people to invest in your business, Nathan, so I hope you've got some good ideas!
- Josefina: I think Elizabeth has good ideas! She's been saving carefully, and hasn't spent the cheque I gave both of them. She's smart: she's reading the paper every day to work out which companies she can invest in for the best long-term growth. She even realises that if she invests in a growing company, which is not paying big dividends now, she has a good chance of the shares going up a lot in value over the next few years as it starts to make money. I wish I had thought this way when I was young!
- Nathan: Wait and see guys. I did a business plan at high school. I'm going to develop an entertainment centre for dogs! There are more dogs than boys in our state now! People love their dogs and are spending more and more on them today!
- Ilse: Well maybe I'll write a novel about how hard it is to bring up teenagers today. I'll call it: "The Cost of Being the Boss". Then I can live off the royalties for the next ten years; and the interest on what I save.

H.1.2 Sample payslip

1. Employer's details

FOODWORLD LIMITED
ABN: 88 000 014 675

5.

2.

Employee's name: E. Driver
Classification: Shop Assistant
Superannuation fund: AMP

Date: 9/8/07
Pay Period: 1/8/07-8/8/07

6.

3.

Ordinary wages/hourly rate	No. of hours	15	@ (rate)	\$ 100.95
			\$6.73	
Overtime	No. of hours		@ (rate)	\$
Allowances	Purpose	Laundry Allowance		\$ 3.09
				\$
Gross wages				\$ 104.04
Less tax				\$ 12.60
Less deductions	Purpose Details: AMP Super			\$ 9.00
	Purpose Details: SDA			\$ 7.00
Net wages				\$ 75.44

7.

4.

8.

9.

H.1.3 Sample payment summary

PAYE payment summary – individual non-business

Payment summary for year ending **30 June 2008**

Payer's details

Payer's ABN	Branch Number
88000014675	047

Payer's name

Foodworld Limited

Payee's details

Payee's tax file number	Payee's date of birth
156 123 785	4/5/1993

Payee's surname or family name

Driver

Payee's given name(s)

Elizabeth Natalie

Payee's address – Street number and name

24 Smart Street

Suburb/town/locality

Financeville

State

NSW

Postcode

2456

Period during which payments were made

1/7/2007 to 30/6/2008

Total tax withheld (whole dollars)

\$581

Total tax withheld (whole dollars only in words)

Five hundred and eighty-one

Gross payments

\$5511

Allowances (give details)

Laundry

Amount

\$160

Union fees

Shop Distributive & Allied Assoc

Amount

\$232

Authorised by

R. Gundat

Date

10/7/2008

H.1.4 Opinions about tax

- Tax is a necessary evil.
- We pay so much tax for so few services.
- Higher tax rates on higher incomes just make people move income offshore.
- High marginal rates of tax for those earning more than \$150,000* encourage people to plan schemes to avoid paying tax.
- Australia's average tax rate is around 31%, lower than the average of 37% for most other industrialised countries.
- In countries where the tax collected is low there are many more children in poverty.
- When I pay tax I am contributing to a society I would like to live in.
- There are only two things in life that are certain: teachers and taxes.
- Tax is for the common good and the common people.
- The GST hurts those on lower incomes because they spend much more of their income.
- We should all pay the same tax rate because everyone benefits equally from services such as garbage collection, roads, railways and streetlights.
- When you have freedom, you should also take responsibility.
- Higher tax rates should be paid by those on higher incomes and businesses making big profits.
- Australia spends a lower proportion of national income on social security payments than all 16 OECD countries except Japan, Ireland and the US.
- We should all pay more tax because the health and education systems are suffering.
- The middle classes keep the country going because they pay all the taxes, while the poor get it all back through welfare.
- Most rich people pay little or no tax.
- Taxes turn people off working harder.
- If people are unhappy with paying tax to help the community, then we need to change their attitude.
- High taxes reduce business incentives.
- People on higher incomes shouldn't have to pay higher rates of tax because they work harder than people on low incomes.

* These are the 2007-08 financial year figures.