RATU NAVULA COLLEGE

WEEK 10 HOME RESOURCE PACKAGE

LESSONS 69– 72 NOTES AND ACTIVITIES

School: **Ratu Navula College** **Year / Level:** **10**

Subject: **Commercial Studies**

Lesson : 69

Strand: Personal Finance II

Sub-strand: Managing Credit

Content Learning Outcome: State the meaning of credit worthiness.

Credit Worthiness

-Credit worthiness refers to one's ability to pay back debt on time

-Continuous defaults tends to black list a customer from engaging into further credit transactions or buying

Good Debt and Bad Debt

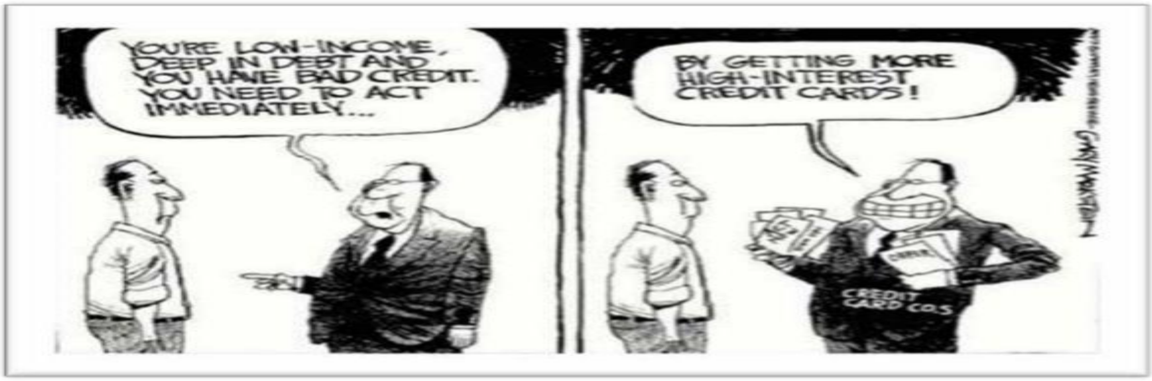
-Good Debt: are the ones that are within one's financial capacity and the sum is manageable to be paid off.

Bad Debt:

-are the ones that are beyond a person's earning, saving capacity

-Consumers end up with defaults and accumulated interests making the debt bigger in sum and manageable.

Activity



a. Interpret the cartoon above in relation to engaging in bad debts?

b. Explain why the consumer is demanded to act immediately

c. Describe the impact of increasing debt on current and future spending options?

d. Explain why it is important for the seller to assess credit worthiness of the consumer before the making any credit sales.

e. Explain the concept of cycle of borrowing.

f. Differentiate between good debt and bad debt.

Lesson : 70

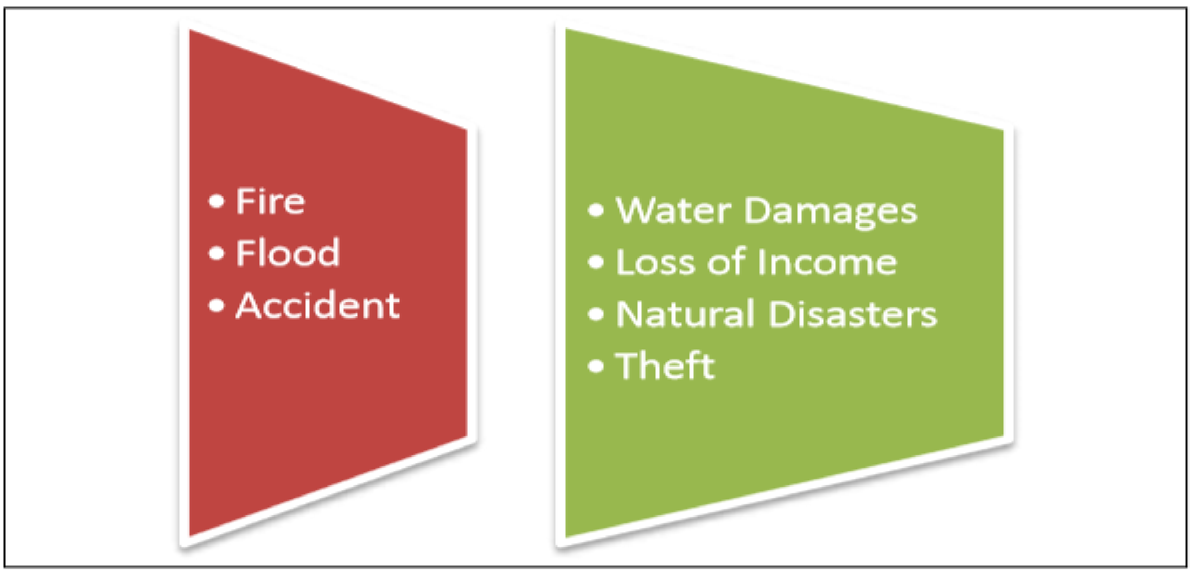
Strand: Personal Finance II

Sub-strand: Managing risk And Financial Planning

Content Learning Outcome: Investigate possible risks for a family.

Possible Risks for Loss of Value

These are some of the possible risks for loss of value in your family's property.



Activity

Risk	Impact on Family/ Individual	What can be done to minimize risk of event happening?
Fire damage		
Water damage		
Weather damage		
Loss by burglary or theft		
Oil leaking or overflow		
Collision or impact		
Destruction by animals or people		
Illness in Fiji or Overseas		
Accidental breakage or damages		
Missed plane connection		

Source: FinED Fiji Form 4 Manual

Lesson : 71

Strand: Personal Finance II

Sub-strand: Managing risk And Financial Planning

Content Learning Outcome: Identify the principles of insurance.

Definition of Insurance

-Insurance is a way of transferring the risk of loss from an individual or business to an insurer. The insurer agrees to pay the policy holder a sum of money should a specific event occur in return for premium.

-It is a legal contract in which an insurer promises to pay a specified amount to an insured party or policy holder in the event of a misfortune or if something happens which causes the insurer to suffer a financial loss. [Applied Economics]

Principles of Insurance

There are four principles of insurance:

1. Principle of Indemnity

The principle of indemnity states that in the event of a loss, an insured firm or an individual cannot collect from the insurer an amount greater than the actual dollar amount of the loss.

2. Principle of Uberrimae Fidei

This is a "Latin phrase" which means "utmost good faith". This principle requires that:

a. The insured must disclose all the relevant facts to the insurer.

b. The insurers must honor all the promises made in the policy

3. Principle of Insurable Interest

A person who suffers financial losses from his own property is allowed to insure against risk. The person can insure his own house however he cannot insure another person's house or property if he has no insurable interest.

4. The Principle of Proximate Clause

Under proximate clause a person can claim for damages against the event as proximately stated in the terms of the insurance policy. For example your property is insured against fire thus an insurance company will pay for the damages if it is valid and directly related to the event. On the other hand, you insure yourself against death by accident while driving you die due to heart attack. Thus the claim becomes invalid as this has been excluded from the policy.

Activity

Research on the number of insurance companies available in Fiji. In your research find the following:

a. Identify the products they offer and which products are the most popular ones.

b. Investigate the generic financial products available to young people in the short and medium term

c. Compare the risk and return from savings and investment products over time.

d. Give examples of terms and conditions of different policies and rights to be exercised.

Lesson : 72

Strand: Personal Finance II

Sub-strand: Managing risk And Financial Planning

Content Learning Outcome: Identify the insurance agents in Fiji.

Insurance Agents In Fiji

-LICI

-BSP Life

-Sun Insurance

-Tower insurance

Products Offered by Insurance Companies

-Life Insurance or Personal Insurance

-Property Insurance

-Marine Insurance

-Fire Insurance

-Liability Insurance

-Guarantee Insurance.

Insurance is categorized based on risk, type, and hazards.

Popular Types of Insurance in Fiji

Potential Financial Products Include:

-On Call Savings Account

-Credit Card

-Term Deposit

-Insurance Products such as:

-Life Insurance

-Car Insurance

-House and Content Insurance

-Income Protection Insurance

-Travel Insurance

-Health Insurance

-Superannuation Products

-Internet Banking

Activity

1. Define insurance.

2. Give an example of a method to protect against the following risks:

a. theft

b. serious illness

WEEK 10 WORKSHEET

Questions

Managing risk And Financial Planning

Investment in Financial Institutions

1. Differentiate between a voluntary and compulsory member of the Fiji National Provident Fund.

   Read the case study given below and answer the question that follow:

   > Mr and Mrs Qase had a dog grooming business. They were both in their late sixties and wanted to retire - so they had a look at their finances to see whether they could afford to stop working.
   >
   > They decided that they needed to find a way of topping up their pensions - and that one way of doing it was to release some equity from their house. So they sold their house and bought a smaller one - and still had $80,000 left over. They got in touch with a financial adviser to get some advice on what to do with the money.

Explain the type of financial advice you would give if you were the financial advisor.

Managing Risk and Financial Planning

1. Moon family is worried about losing their home to the floods. Explain one way of protecting them against the risk of flooding.

2. Define insurance.

3. Give an example of a method to protect against the following risks:

a. theft

b. serious illness