

**RATU NAVULA COLLEGE**

**WEEK 9 HOME RESOURCE PACKAGE**

**LESSONS 65 – 68 NOTES AND ACTIVITIES**

**School:** Ratu Navula College

**Year / Level:** 10

**Subject:** Commercial Studies

**Lesson :** 65

**Strand:** Personal Finance II

Sub-strand: Managing Credit

Content Learning Outcome: identify the need for borrowing.

Need for Borrowing

- Able to meet the immediate obligations
- Meeting payments on time
- Does not involve charging of interest if borrowed from internal sources
- Receiving money on a short notice

Activity

1. Give an example of an internal source of borrowing for an individual
2. Define credit worthiness

3. Give one reason on the need for borrowing

**Lesson : 66**

**Strand: Personal Finance II**

**Sub-strand: Managing Credit**

Content Learning Outcome: identify the impact of borrowing.

Impact of Borrowing

- Internal Borrowing --- if not returned on time it can tarnish your reputation within the family, community

-External Borrowing ----- Involves heavy interest ----- Personal assets can be taken to cover for the debt

-Guilty conscience on failure of returning which can result in social crime or suicide

-Can be put to misuse

-Victim of cycle of borrowing as one leads to the other for debt settlement.

Activity

1. Identify an internal source of borrowing.
2. Describe one positive impact of a person's credit worthiness on his loan application.

### Paragraph Writing

Your credit rating isn't an indication of money. It's an indication of debt.

With reference to the above statement:

- define debt.
- explain one problem of borrowing.
- explain one solution to minimize the problem.

### **Lesson : 67**

#### **Strand: Personal Finance II**

Sub-strand: Managing Credit

Content Learning Outcome: identify the advantages and disadvantages of borrowing.

#### Advantages

- Successful borrowing can help you create a positive credit history. ...
- Leverage can be used to increase the return on your investments. ...
- Credit cards are a convenient way to make purchases. ...
- Interest on some forms of borrowing is tax deductible
- Large purchases, especially those of assets important to your business, will eventually be necessary at some point or other.

-Some of the things you can purchase with the help of a bank loan include property, vehicles, and machinery. Banks offer a massive benefit here because, without them, it would not be easy for many people to start businesses or grow them.

### Disadvantages

-blacklisted with if loan not paid on time.

-have to pay interest.

-If the loan is secured by guarantee, then it means that someone else has cosigned on the loan and it is their personal assets or the assets of their business that are on the line. If you don't repay the loan, you will be putting someone else at risk.

-If the bank takes over your business, it is up to them to figure out how to recover their money from your business, which might involve selling it as a whole or disbanding and liquidating it altogether. That can be devastating for some people.

### Activity

Use the resource list to fill in the blanks given below.



Source: *FinED Fiji Form 4 Manual*

1. I didn't have the cash with me so I had to use \_\_\_\_\_ to buy the car.

2. There is going to be a \_\_\_\_\_ that I have to pay, because I used my credit card yesterday.

3. I couldn't pay all my course fees at tertiary, so I had to get a student \_\_\_\_\_

4. The cost of using someone else's money is called \_\_\_\_\_

5. I have borrowed so much money lately I am in a huge amount of \_\_\_\_\_

6. I have signed my name to a document and entered into a \_\_\_\_\_ with a loan company.

## **Lesson : 68**

### **Strand: Personal Finance II**

#### Sub-strand: Managing Credit

Content Learning Outcome: identify the impact of borrowing.

#### Need to Plan and Manage Credit

-Paying on time as it falls due or is accrued—delayed payment leads to extra interest being charged thus increasing the debt further

-Earlier payments could make you claim rebate or discounts

#### Impact of Increasing Debts

-As hire purchase commitment increases the savings starts to decrease

-At times meeting future needs become a problem due to shortage of money

-Forego certain wants and needs to meet payments

- Increasing debt also can affect one's health and create family problems

### Impacts on Credit Costs

-Due to traditional obligations payments could be deferred leading to interest charges and extra payments required

-With taking up more financial commitments, the level of disposable income will decrease leaving fewer opportunities for savings and investments, thus, a decrease in Real Income.

-Credit buying has extra commitment on the family as such family may have to forego on certain needs and wants [entertainment/ recreational activities] to meet the payments .

### Activity

In your own words, discuss and note what you understand by the terms we have discussed in this lesson. You can use a dictionary to help you.

Cash

Hire Purchase

Cash

- Good Debt

-Debt

-Hire

-Lay by.

