

FINANCE IN ACTION

TASK

The Murphy household consists of two parents and three children. They are currently expecting their fourth child, due in 6 months and need to purchase a vehicle with room to fit at least six people.

They have a combined annual income of €48,000 and their expenditure is expected to be €3,600 per month. They have savings of €5,000 and they try to save €400 every month. The vehicle they want to purchase costs €25,000.

As a group you are required to research different **sources of finance** for the Murphy household which will allow them to purchase the car before their new baby arrives.

FEATURES OF QUALITY FOR CLASSROOM-BASED ASSESSMENT 1

See Junior Cycle Business Studies:

[Guidelines for the Classroom-Based Assessments and Assessment Task](#)

EVIDENCE: PROJECT

The Murphy Family Car Purchase

RESEARCH

Assumptions

Certain information in our project was not given as part of our task. Therefore we made some assumptions. We assumed that as the family has 3 kids they would receive child benefit. We included this in our budget at an average rate of €110 per child. We also presumed the family had a car previous to this so we got scrapage of €4,250 and took that away from the actual loan. (Information got on Nissan official website)

	m.1	m.2	m.3	m.4	m.5	m.6	Total
	€	€	€	€	€	€	€
Income							
Salary	4,000	4,000	4,000	4,000	4,000	4,000	24,000
Child Benefit	420	420	420	420	420	420	2,520
Loan	2,000						20,000
Car Scrapage	4,250						4,250
Total Income	29,670	4,420	4,420	4,420	4,420	4,420	50,730
Expenditure							19,600
Loan repayments		392	392	392	392	392	2,352
Vehicles	25,000						25,000
Light & Heat	250		250		250		750
Groceries	300	300	300	300	300	300	1,800
Insurance	200	200	200	200	200	200	1,200
Mortgage	1,500	1,500	1,500	1,500	1,500	1,500	9,000
TV & Broadband	150	150	150	150	150	150	900
Petrol	150	200	200	200	200	200	1,200
Entertainment	200	100	100	100	100	100	600
Medical bill	100						1,000
School supplies	400						400
Baby strollers	50	50	50	50	50	50	300
Baby cot & equip.	500						1,000
Phone bill		200				250	450
Total Expenditure	29,000	3,642	3,292	3,542	3,542	3,042	46,660
Net Cash	(330)	778	1,128	878	878	1,378	4,710
Car Scrapage	4,250						4,250
Net Cash	3,920	778	1,128	878	878	1,378	9,260

Action Plan

We decided that the Murphy Family would get a loan of €20,000 for 5 years at €392 per month in the Bank of Ireland. We drew up a budget showing there income/expenditure for the next 6 months. We tried to get them to spend as close to €3,600 as we could. We took €750 out of there saving towards the loan.

Conclusion

We decided on this loan (seen above) as we think this is the best option for the family as they can afford it and will not be in debt and can look forward to the new arrival of their child without having to worry.




FEATURES OF QUALITY

FOQ 1: The students use a highly effective research method to collect the data (a range of reliable and appropriate websites for regulated financial institutions) and demonstrate a high level of analysis of the findings

FOQ 2: The students evaluation of the collective research was of very good quality.

FOQ 3: The action plan is completed to a high standard. It demonstrates initiative and financial understanding and is based on realistic figures

FOQ 4: The project is complete and presented very well although there is some scope for improvement

	m.1	m.2	m.3	m.4	m.5	m.6	Total
	€	€	€	€	€	€	€
Income							
Salary	4,000	4,000	4,000	4,000	4,000	4,000	24,000
Child Benefit	420	420	420	420	420	420	2,520
Loan	20,000						20,000
Car Scrappage	4,250						4,250
Total Income	28,670	4,420	4,420	4,420	4,420	4,420	50,770
Expenditure							
Loan repayments	392	392	392	392	392	392	1,960
Vehicles	25,000						25,000
Light + Heat	250		250		250		750
Groceries	300	300	300	300	300	300	1,800
Insurance	200	200	200	200	200	200	1,200
Mortgage	1,500	1,500	1,500	1,500	1,500	1,500	9,000
TV + Broadband	150	150	150	150	150	150	900
Petrol	150	150	150	150	150	150	900
Entertainment	200	200	200	200	200	200	1,200
Medical bill	100	100	100	100	100	100	600
School supplies	600	400					1,000
Baby sitters	50	50	50	50	50	50	300
Baby clothes + Equip.	500			500			1,000
Phone bill		200			250		450
Total Expenditure	29,000	3,642	3,292	3,542	3,542	3,042	46,060
Net Cash	(330)	778	1,128	878	878	1,378	4,710
Opening cash	4,250	3,920	4,698	5,826	6,704	7,582	42,500
Closing cash	3,920	4,698	5,826	6,704	7,582	8,960	8,960

Assumptions

Certain information in our project was not given as part of our task. Therefore we made some Assumptions. We assumed that as the family has 3 kids they would receive child benefit. We included this in our budget at an average rate of €140 per child. We also presumed the family had a car previous to this so we got scrappage of €4,250 and took that away from the actual loan. (Information got on Nissan official website)

Action Plan

We decided that the Murphy Family would get a loan of €20,000 for 5 years at €392 per month in the Bank of Ireland. We drew up a budget showing their Income/Expenditure for the next 6 months. We tried to get them to spend as close to €3,600 as we could. We took €750 out of their saving towards the loan.

Conclusion

We decided on this loan (seen above) as we think this is the best option for the family as they can afford it and will not be in debt and can look forward to the new arrival of their child without having to worry 😊.

Hire Purchase

- * hire purchase is used to buy expensive items which a person cannot afford to pay out right eg. car
- * a down payment is usually paid and the balance is paid over several months

what is hire purchase?

- * here possession of goods is transferred immediately, but payment is made in installments
- * ownership is transferred after all the installments have been paid

Advantages

- * no immediate cash
- * easy possession
- * economic growth
- * thrift
- * relief to buyer

Disadvantages

- * reputed buyers
- * may lead to bankruptcy
- * buyer has to mortgage their property
- * buyer may incur loss it is expensive
- * loss to seller in the event of default by buyer

Hire Purchase

without savings:-

€25000 at 2 years
monthly = €1,129.50
total amount repayable = €27,108.00

€25000 at 3 years
monthly = €782.25
total amount repayable = €28,161.00

€25000 at 4 years
monthly = €609.00
total amount repayable = €29,232.00

with savings:-

€20000 at 2 years
monthly = €609.00
total amount repayable = €29,232.00

€20000 at 3 years
monthly = €625.80
total amount repayable = €22,528.80

€20000 at 4 years
monthly = €487.20
total amount repayable = €23,385.60

Loans

AIB

Loan of €20,000
3 years = €630.20 per month
5 years = €410 per month

Loan of €25,000
3 years = €787.75 per month
5 years = €512.20 per month

Chill Money

Loan of €20,000
3 years = €632 per month
5 years = €411 per month

Loan of €25,000
3 years = €790 per month
5 years = €514 per month

Credit Union

Loan of €20,000
3 years = €625.81 per month
5 years = €404.57 per month

Loan of €25,000
3 years = €782.26 per month
5 years = €505.71 per month

Loans

Bank of Ireland

Loan of €20,000
3 years = €613.56 per month
5 years = €391.92 per month

Loan of €25,000
3 years = €766.95 per month
5 years = €489.90 per month

What is a loan?

A loan is when a bank or a credit union gives you a certain sum of money but you will have to pay it back with interest.

Interest

Interest is extra money added to a loan so the bank can make money. Interest rates can vary. When looking for a loan, try to find the lowest interest rate.

Risks.

- * If you are unable to pay back the loan you could risk losing an item (e.g. a house)
- * High charges (interest) on unpaid arrears can be added to the existing interest payments
- * If you are unable to pay back debt you may be put in the 'Stubbs Gazette' which all money lenders can see so they will refuse you credit.

PCP definition =

A personal contract purchase (PCP), often referred to as a personal contract plan, is a form of hire purchase vehicle finance for individual purchasers, which has similarities to both personal contract hire and a traditional hire purchase (buying on instalments).

PCP finance

PROS

- **Low monthly repayments**
- **Small deposit**
- **A choice of what to do at end of repayment term**
- **Quick and easy to arrange**

CONS

- **Mileage and condition of car affects the costs**
- **Have to pay the Guaranteed Minimum Future Value (GMFV), a large final payment to own the car at the end of the contract**
- **You don't own the car until you make this final payment**
- **May not be able to afford repayments in the future if your circumstances change**
- **You need permission from the finance company (owner) if you need to sell the car during the term of the contract**
- **Final payment or GMFV may not be an accurate reflection of future market value of the car**

RESEARCH: STUDENT A

Appendix 1: Business in Action – Template for Student Research

Project option: Enterprise in Action <input type="checkbox"/> Economics in Action <input type="checkbox"/> Finance in Action <input checked="" type="checkbox"/>	
Title of your project <i>Murphy Family Car Purchase</i>	Student name <i>!</i>
Method of research <i>Desk</i>	Field (primary) research <input checked="" type="checkbox"/> Desk (secondary) research <input checked="" type="checkbox"/>
1.1 Introduction: Outline briefly the purpose of your research <i>To find a suitable way of purchasing a car for the Murphy family with a certain budget and within 6 months as the family are having another child.</i>	
1.2 Method of research: Explain briefly why you have chosen your method of research <i>Desk research; we chose desk research as all the information we needed was online. We did ask for advice/opinions on certain things from people older who would understand more e.g parents and teachers</i>	
1.3 Sources: List your source(s) of information <i>www.aib.ie www.chillmoney.ie/loans www.creditunion.ie/loans personalbanking.bankofireland.com/calculate-your-loan-repayments</i>	
1.4 Summary: Give a brief summary of what you found out as a result of your research <i>I found out the cheapest interest rate on different amounts in different banks/financial institutions. We made some assumptions; assuming the family had a car and got scrappage on that and took it away from the price of the car so I was looking for the best quote on a €20,000 loan. I got a quote from Bank of Ireland at €392 per month for 5 years and I think we are going to go with that option in our action plan. I also researched child benefit rates and car scrappage rates for our action plan also.</i>	

FOQ 1: It could be improved by noting the interest rates for the different financial options

1.5 Evaluation of findings: Think critically about the following questions and write a short response

(a) Were you surprised by your findings? Give a reason for your answer.

Yes

I was surprised as I didn't think interest rates would be so high.

(b) Is the source of your research reliable? Give a reason for your answer

Yes

All the websites I used were regulated by the Central Bank of Ireland and I got them from ads.

(c) Is the information one-sided or biased? Give a reason for your answer.

No

I checked 4 different websites to get the best quote. These websites are regulated by the Central Bank of Ireland.

1.6 Conclusion: Based on your findings what is the key message you will share with your team?

I found the cheapest interest rate on a loan by comparing it with others. I will share all research with my team and I think that we will use the quote I got.

1.7 Decision-making: How do you think your findings will affect your team's action plan?

I think my team will go with my findings as it is the cheapest and best option for the family.

1.8 Recording your sources: Provide some evidence of your research e.g. interview questions, questionnaire, photocopies, images, notes, graphic organizers etc.

all in project

FOQ 2: The student demonstrates a consideration of the credibility of the sources of information

FOQ 2: This student compared their loan option with the other options and concluded correctly that their's was the best option

REFLECTION: STUDENT A

Appendix 2: Business in Action – Template for the Student Reflection

Project option: Enterprise in Action <input type="checkbox"/> Economics in Action <input type="checkbox"/> Finance in Action <input checked="" type="checkbox"/>	
Title of your project	Student name
Murphy Family Car Purchase	
1.1 Introduction: Provide a brief outline of your project To find a suitable way of purchasing a car for the Murphy Family with a certain budget within 6 months as the family are having another child.	
1.2 Roles and responsibilities: Describe your key role and your main responsibilities My key role was to research interest rates on loans and to try and find the best rate and to report back to my team I also drew up a budget for our action plan and wrote out points explaining certain parts of our project.	
1.3 Summary: Give a brief summary of how you contributed to your project during the following activities:	
(a) How I contributed to researching the project I looked up interest rates on loans from many different websites and found the best one for the family. I also researched child benefit rates and car scrappage rates.	
(b) How I contributed to analysing the research information I helped decide the best option for the family and drew up a budget for our action plan. We compared all the different rates of PCP, loans and Hire Purchase and chose the best one.	

FOQ 5: The individual reflection demonstrates how the student fully engaged with all stages of the project

(c) How I contributed to developing the action plan

I drew up a budget for our action plan and worked out all the numbers that went into the budget. I also wrote out points explaining our action plan and everything gone into it.

(d) How I contributed to compiling the project

I collected all our sheets of research and stapled them into a booklet to put on our project. I wrote out points on our Action Plan, Assumptions and our Conclusion and stuck them to our project

1.4 Review: Describe how you got on as a team and any difficulties you overcame while working as a team or Describe the advantages and challenges of working on this group project from your individual perspective

I think our team worked well together as we agreed on most things and got through our project pretty fast. We found it a bit difficult to find a car for the family but quickly overcame that. Also one member of our team was absent for a couple of days but my other team member and I took on more work and got it done.

1.5 Teacher feedback

FOQ 5: The student reflects well on the challenges of group work

RESEARCH: STUDENT B

Appendix 1: Business in Action – Template for Student Research

Project option: Enterprise in Action <input type="checkbox"/> Economics in Action <input type="checkbox"/> Finance in Action <input checked="" type="checkbox"/>	
Title of your project Murphy family car purchase	Student name
Method of research Desk Research	Field (primary) research <input type="checkbox"/> Desk (secondary) research <input checked="" type="checkbox"/>
1.1 Introduction: Outline briefly the purpose of your research I researched PCP to help the murphys to choose their method of payments for their new car.	
1.2 Method of research: Explain briefly why you have chosen your method of research I chose to do desk research, because its easy to access the internet and it provides all the info I need.	
1.3 Sources: List your source(s) of information www.ccrp.ie , ie. Zapmeta.com/pcp finance	
1.4 Summary: Give a brief summary of what you found out as a result of your research I found out about PCP and how its broken down into 3 parts: Deposite, payments and final payments. I researched what these three parts are and I presented this information to the group for us to decide on which source of finance to use.	

1.5 Evaluation of findings: Think critically about the following questions and write a short response

(a) Were you surprised by your findings? Give a reason for your answer.

NO I wasn't because we had revised PCP a few days before I researched the topic.

(b) Is the source of your research reliable? Give a reason for your answer

yes it reliable, because I checked a number of websites.

(c) Is the information one-sided or biased? Give a reason for your answer.

My info on PCP is not biased as I searched on more than one website.

1.6 Conclusion: Based on your findings what is the key message you will share with your team?

My key message that I shared with my team was the pros and cons of PCP.

1.7 Decision-making: How do you think your findings will affect your team's action plan?

My Research gave them the option of PCP in our action project.

1.8 Recording your sources: Provide some evidence of your research e.g. interview questions, questionnaire, photocopies, images, notes, graphic organizers etc.

FOQ 2: The student could improve by considering more fully the reliability of the sources of information.

FOQ 1: The student uses an effective research method to collect the data, although the analysis of the findings lacks depth. The student could have provided examples of the potential cost of PCP for the new car.

REFLECTION: STUDENT B

Appendix 2: Business in Action – Template for the Student Reflection

Project option: Enterprise in Action <input type="checkbox"/> Economics in Action <input type="checkbox"/> Finance in Action <input checked="" type="checkbox"/>	
Title of your project The murphy family car purchase	Student name
1.1 Introduction: Provide a brief outline of your project Help the mu phys to choose their method of payments for their new car.	
1.2 Roles and responsibilities: Describe your key role and your main responsibilities my role in our action project was to research PCP finance.	
1.3 Summary: Give a brief summary of how you contributed to your project during the following activities: (a) How I contributed to researching the project I researched PCP and I looked up the pros and cons and there were more cons than pros but PCP was to expensive.	
(b) How I contributed to analysing the research information I helped go through all our info to make sure we had all the info needed	

FOQ 5: The individual reflection provides some evidence of how the student engaged at some stages of the project.

(c) How I contributed to developing the action plan

I was absent for the developing of the action plan.

FOQ 3: The student did not participate in the action plan in any way.

(d) How I contributed to compiling the project

I helped put all the researched info together and ready to present.

FOQ 4: Although the project is complete and is presented in a clear manner it is evident that this student didn't contribute as much to the presentation of the project as the other students.

1.4 Review: Describe how you got on as a team and any difficulties you overcame while working as a team or Describe the advantages and challenges of working on this group project from your individual perspective

I feel my team got along very well together. At the start I found it difficult to communicate with the other team members but by the end of the project we communicated well.

FOQ 5: The student reflection identifies a challenge which they encountered but the reflection is limited.

1.5 Teacher feedback

OVERALL JUDGEMENT

STUDENT A:

OVERALL JUDGEMENT



ABOVE EXPECTATIONS

STUDENT B:

OVERALL JUDGEMENT



IN LINE WITH EXPECTATIONS



Exceptional



Above expectations



In line with expectations



Yet to meet