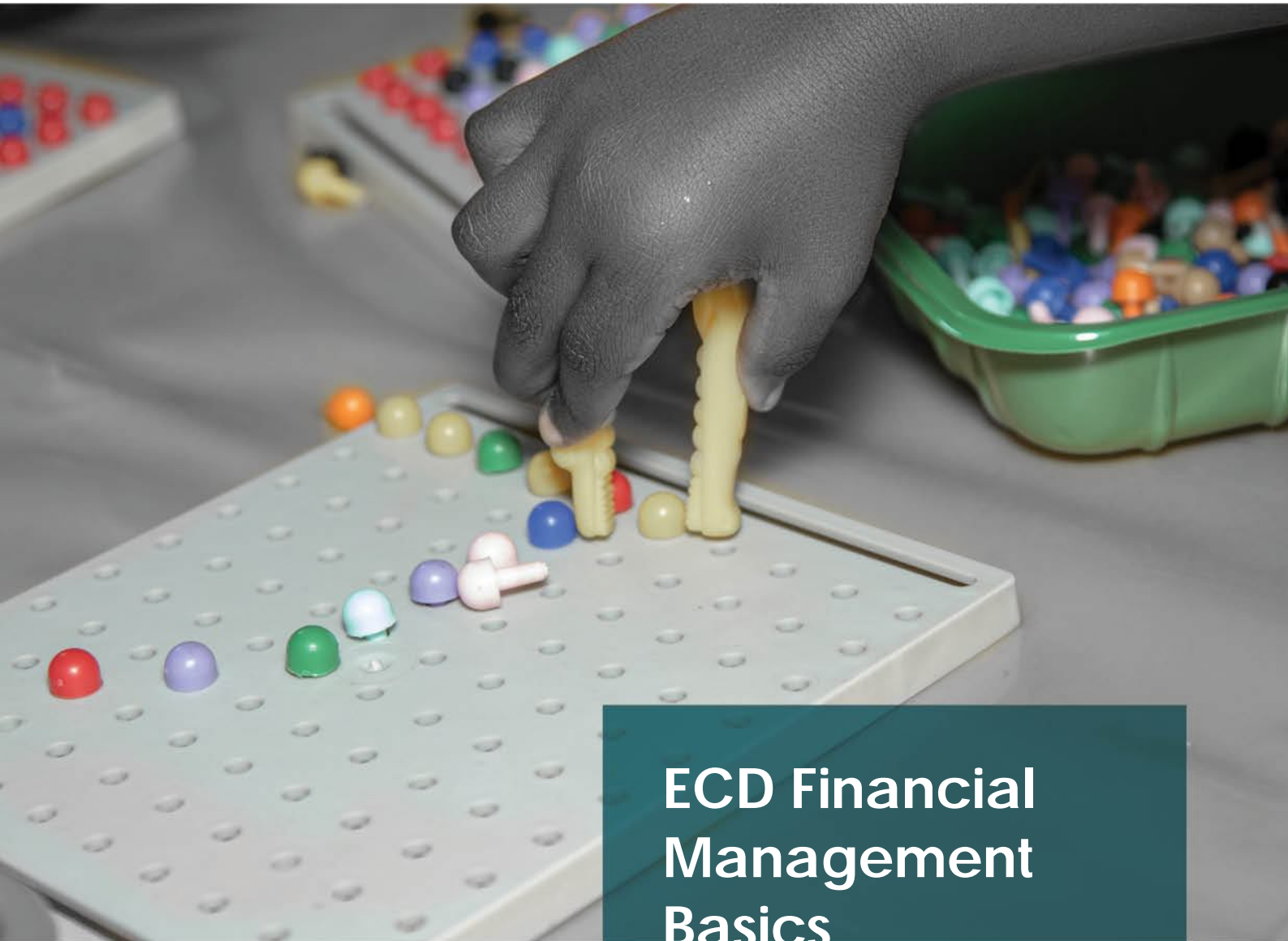




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A JOURNEY OF HOPE



# ECD Financial Management Basics

## Facilitator Guide

2021

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## Introduction

When people hear “financial management”, they panic! Numbers, reports and balancing the books can seem overwhelming. This course wants to make the basics of managing your money a simple process.

This workbook will help you think through the key areas of financial management for your ECD. The workshop will include ideas like budgets, ledgers, and income vs. expenses - and the manual is yours to keep and use!

We want to make sure that you feel properly equipped which means that we have included blank templates for financial management that you can begin using at your ECD.

We also know how important it is to understand best practice on matters of debt collection, banking, and employment contracts. For that reason, we have included a section that explains some critical ideas so that you can run your ECD well.

Overall, we want you to walk away confident that you can handle the basics of ECD financial management.

### Today's Programme

	Session	Outcome
<b>08:30 – 09:15</b>	Key Basic Ideas	You should be able to explain key critical terms
<b>09:45 – 10:45</b>	Budgets, Ledgers, Income vs Expenses	Prepare a budget Rightly allocate income and expenses Balance your finances
<b>11:15 – 12:30</b>	Save Bright Star: A case study	Work on Bright Stars finances and present management actions

### Facilitator to Bring

<b>1. Prestik</b>	<b>2. Flip Board Sheets</b>
<b>3. Pens</b>	<b>4. Markers</b>
<b>5. Workbook per student</b>	<b>6. Sticky pads for question</b>
<b>7. Facilitator Guide</b>	<b>8. ECD Guidebook</b>

## Basic Ideas

### Why should you manage your finances?

There are many reasons to look after your ECD's finances well. Firstly, it is responsible to do so because we are committing to the best quality education we can supply to the learners. This means we want to ensure we manage our income and costs well so we can supply the needed tools and resources consistently. Second, it puts you on the front foot in terms of looking after your ECD. Sometimes there are situations where we need to think creatively about income or costs – knowing where your ECD is allows you to plan for the bumpy times and be wise in the better times.

### Key Terms for this workshop

Income	Money that comes in through fees, dividends, gifts, investments, and other revenue sources
Expenses	Money that goes out to another business or person for a service or item
Budget	A plan that shows what money will come in (income) and what money you will spend (expenses) for a timeframe
Actual	The money that has been earned in a timeframe. It is based on an account statement
Ledger	A collection of accounts where you show transactions of money
Debt	Money you owe another person or business
Credit	Borrowing money to buy something. This can be a credit card or a loan
Cash	Physical money
Cost	The amount of money you need to pay for something
Direct deposit	Money deposited directly to your account
Donate	To give something to help a person or organisation
Inflation	The annual amount of increase that it costs to live, showed in a %
Lender	A business or person who gives you money with the expectation it will be repaid with interest
Minimum wage	An amount made by law as the lowest possible amount that can be paid to an employee
Taxes	Necessary payments of money to the government to provide public services

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## My Notes

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## Budgets, Ledgers & Income vs. Expenses

### Exercise 1: Individual Exercise

- Based on last year's costs, work out a budget for next year with an inflation of 10%
- Underline whether the item is an "income" or "expense"
- Look at the daily receipts & add them together for each day
- Look at the ledger transactions and complete the ledger by allocating expenses, income and balancing the ledger
- Total your income and your expenses for the past two months and say whether you made a profit or a loss



Remember "inflation" from our key terms? Inflation is the amount that things will increase by.

### Exercise 1 a)

Inflation for your 2021 budget is 10%. What is the budget for 2021?

	2020 Costs	2021 Budget
<b>Income</b>	R15 000	_____
<b>Expenses</b>	R17 200	_____
<b>Profit / (Loss)</b>	R - 2 200	_____

Answer:

	2020 Costs	2021 Budget
<b>Income</b>	R15 000	R16 500
<b>Expenses</b>	R17 200	R18 920
<b>Profit / (Loss)</b>	R - 2 200	R - 2 420

**Exercise 1 b)**

Underline whether the items below is an "income" or an "expense":

Salary payment to Teacher Lilly	Expense / Income
Buy groceries for ECD lunch	Expense / Income
Buy cleaning materials for the ECD	Expense / Income
Thando pays school fees	Expense / Income
Pay rent	Expense / Income

Answer:

Salary payment to Teacher Lilly	<u>Expense</u> / Income
Buy groceries for ECD lunch	<u>Expense</u> / Income
Buy cleaning materials for the ECD	<u>Expense</u> / Income
Thando pays school fees	Expense / <u>Income</u>
Pay rent	<u>Expense</u> / Income



Exercise 1 c)

Look at the daily receipts below and allocate them properly by adding them together.

Transaction #	Date	Description	Amount
1	01/02/2021	Lindo pays school fees	R300
2	01/02/2021	Sihle pays school fees	R300
3	01/02/2021	Charity pays school fees	R300
4	02/02/2021	Luthando pays school fees	R300
5	02/02/2021	Talent pays school fees	R300

Ledger

Date	Detail	Income	Expenses
_____	_____	_____	_____
_____	_____	_____	_____
	<b>Balance for month</b>	_____	_____

Answer

Date	Detail	Income	Expenses
01/02/2021	Receipts for the day	R900	
02/02/2021	Receipts for the day	R600	
	<b>Balance for month</b>	<b>R900</b>	

**Exercise 1 d)**

Below is a list of ledger transactions. Complete the ledger by allocating expenses, income and balancing the ledger:

Transaction #	Date	Description	Amount
1	01/02/2021	Lelo pays school fees	R300
2	05/02/2021	Pay Teacher Lusinda	R1 200
3	05/02/2021	Pay rent	R800
4	07/02/2021	Themba pays school fees	R300
5	07/02/2021	Phelo pays school fees	R300

Ledger

Date	Detail	Income	Expenses
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
	<b>Balance for month</b>	_____	_____

Answer

Date	Detail	Income	Expenses
01/02/2021	Receipts for the day	R300	
05/02/2021	Pay Teacher Lusinda		R1 200
05/02/2021	Pay rent		R800

07/02/2021	Receipts for the day	R600	
	<b>Balance for month</b>	<b>R900</b>	<b>R2 000</b>

**Exercise 1 e)**

Total your income and your expenses for the past two months and say whether you made a profit or a loss:

	Jan	Feb	Total
Income	_____	_____	_____
School Fees	R5 000	R4 500	_____
Donations	R150	R5 000	_____
Uniforms	R400	R800	_____
Expenses	_____	_____	_____
Salaries	R6 000	R6 000	_____
Groceries	R2 000	R2 200	_____
Transport	R1 500	R1 000	_____
<b>Profit / (Loss)</b>	_____	_____	_____

Answer

	Jan	Feb	Total
Income	R5 550	R10 300	R15 850
School Fees	R5 000	R4 500	R9 500
Donations	R150	R5 000	R5 150
Uniforms	R400	R800	R1 200
Expenses	R9 500	R9 200	R18 700
Salaries	R6 000	R6 000	R12 000
Groceries	R2 000	R2 200	R4 200
Transport	R1 500	R1 000	R2 500

<b>Profit / (Loss)</b>	<b>R - 3 950</b>	<b>R1 100</b>	<b>- R2 850</b>
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Over the last two months we have made a loss of R - 2 850.

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## Save Bright Star: A Case Study

### Exercise 2: Group Exercise

- Help Bright Star come up with a budget for 2021 based on their 2020 costs. Use a 10% inflation
- Take the ledger transactions for February and balance them in Bright star's ledger
- Analyse where Bright Star was under or over their February budget
- Assess Bright Stars profit and loss and advise accordingly



### Exercise 2 a)

Help Bright Star come up with a budget for 2021 based on their 2020 costs. Use a 10% inflation.

	<u>2020 Costs</u>	Inflation	<u>2021 Budget</u>
Income	20 950		
School Fees	20 000		
Fines	950		
Expenses	19 660		
Salaries	13 000		
Groceries	4 000		
Water and Lights	1 200		
Telephone	200		
Gas	960		
Cleaning Mat	300		
Profit / (Loss)	1 290		

Answer

	<u>2020 Costs</u>	Inflation	<u>2021 Budget</u>
Income	20 950		23 045
School Fees	20 000	10%	22 000
Fines	950	10%	1 045
Expenses	19 660		21 626
Salaries	13 000	10%	14 300
Groceries	4 000	10%	4 400
Water and Lights	1 200	10%	1 320
Telephone	200	10%	220
Gas	960	10%	1 056
Cleaning Mat	300	10%	330
Profit / (Loss)	1 290		1 419



**Exercise 2 b)**

Take the ledger transactions for February and balance them in Bright Star's ledger.

### Bright Star – Ledger Transactions

This is an example to illustrate how to deal with the financial transactions commonly occurring in ECD's.

Transaction #	Date	Description	Amount
1	01/02/2021	Tshepo pays school fees	R500
2	01/02/2021	Buhle pays school fees	R500
3	01/02/2021	Musa pays school fees	R500
4	01/02/2021	Buy groceries for the ECD	R450
5	02/02/2021	Tumiso pays school fees	R500
6	02/02/2021	Lesedi pays school fees	R500
7	02/02/2021	Maria pays school fees	R500
8	03/02/2021	Buy cleaning materials for the ECD	R275
9	04/02/2021	Thando pays school fees	R500
10	04/02/2021	Thembi pays school fees	R500
11	04/02/2021	Sibusiso pays school fees	R500
12	25/02/2021	Pay Teacher Margaret	R1 500
13	25/02/2021	Pay Teacher Mary	R1 500
14	28/02/2021	Pay rent	R1 500

**Bright Star Ledger**

Trans	Date	Description	Income	Expenses
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
	<b>February 2021</b>	<b>Balance for the month</b>	_____	_____

Remember, summarise the receipts for a day.

Answer:

**Bright Star Ledger**

Trans	Date	Description	Income	Expenses
1,2,3	01/02/2021	Receipts for the day	1,500	
4	01/02/2021	Groceries		450
5,6,7	02/02/2021	Receipts for the day	1,500	
8	03/02/2021	Cleaning Materials		275
9,10,11	04/02/2021	Receipts for the day	1,500	
12	25/02/2021	Pay Teacher Margaret		1,500
13	25/02/2021	Pay Teacher Mary		1,500
14	28/02/2021	Pay Rent		750
	<b>February 2021</b>	<b>Balance for the month</b>	<b>4,500</b>	<b>4,475</b>

Exercise 2 c)

Analyse where Bright Star was under or over their February budget

**Bright Star Budget vs Expense**

	<u>February</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Under/Over Budget</u>
<b>Income:</b>	25 000	22 000	
School Fees	20 000	19 000	
Grant/subsidy	4 000	2 000	
Donations	300	300	
Uniform	500	500	
Fines	200	200	
<b>Expenses:</b>	25 500	24 250	
Salaries	15 000	16 000	
Principal	2 000	-	
Groceries	4 000	4 000	
Water and Lights	2 000	1 750	
Telephone	500	500	
Gas	1 000	1 000	
Uniform	750	750	
Cleaning Mat	250	250	
<b>Profit / (Loss)</b>	-500	-2 250	

Answer

**Bright Star Budget vs Expense**

**February**

	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Under/Over Budget</u></b>
<b>Income:</b>	25 000	22 000	Under
School Fees	20 000	19 000	Under
Grant/subsidy	4 000	2 000	Under
Donations	300	300	-
Uniform	500	500	-
Fines	200	200	
<b>Expenses:</b>	25 500	24 250	
Salaries	15 000	16 000	Over
Principal	2 000	-	Under
Groceries	4 000	4 000	-
Water and Lights	2 000	1 750	Under
Telephone	500	500	-
Gas	1 000	1 000	-
Uniform	750	750	-
Cleaning Mat	250	250	-
<b>Profit / (Loss)</b>	-500	-2 250	Under

**Exercise 2 d)**

Assess Bright Stars profit and loss and advise accordingly

1	
2	
3	
4	
5	
6	

Answer

1	The actual loss is bigger than the budgeted loss
2	Need to find items where I must pay less
3	I need to consider how to increase my income through following up on all school fees & all fines.
4	I need to consider how to increase my income by checking if I qualify for other grants or subsidies
5	I need to consider if there is room for donations drive in the community
6	I need to review all my costing for groceries and see if there are cheaper suppliers

# My Notes

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## Best Practice & Additional Resources

How do I open a bank account? (p51)

How do I follow up on school fees from parents? (p47)

How do I employ someone? (p13, pp27-30, p53)

How do I use a receipt book? (p49)

How often should I check my finances and balance my books? (pp48-52)

How can I plan my food menu costs? (p39)

How do I see if my children are developing? (pp56-82)

**How should I manage my stock?**

**Why should I avoid purchasing on credit?**

**Why should I keep my personal and ECD finances separate?**

**How do I keep my personal and ECD finances separate?**

## Final Notes

Questions that can be asked to get a feel of the success of this training:

- What did you learn today?
- What will you implement either at your ECD or in your personal life?
- What did you struggle with?
- What should we have spent more time on?









[            ] - Budget

	<u>Costs</u>	Inflation	<u>Budget</u>
Income			
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
Expenses			
Salaries			
Groceries			
Water and Lights			
Telephone			
Transport			
Gas			
Cleaning Mat			
Profit / (Loss)			

[ ] - Ledger

<u>Date</u>	<u>Detail</u>	<u>Income</u>	<u>Expenses</u>
M: [ ] Y:[ ]	Balance for the month		