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EC D Financial Management Basics

A workshop

NPO 072-167 | PBO & s18a - 930031948



Today's Programme

09:00 – 09:45

Key Basic Ideas (Concepts)

10:15 – 11:15

Budgets, Ledgers, Income & Expense

11:45 – 13:00

Save Bright Star: A case Study



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Do you know key ideas?

Key Ideas

Budget

A plan that shows what money will come in (income) and what money you will spend (expenses) for a time frame

Key Ideas

Debt

Money you owe another person or business

Key Ideas

Expenses (Money Out)

Money that goes out to another business or person for a service or item

Key Ideas

Ledger (Cash Flow)

A collection of accounts where you show transactions of money

Key Ideas

Actual

The money that has been earned in a time frame. It is based on an account statement

Key Ideas

Credit

Borrowing money to buy something. This can be a credit card or a loan

Key Ideas

Cash

Money in your hand

Key Ideas

Income (Money In)

Money that comes in through fees, dividends, gifts, investments, and other revenue sources

Key Ideas

Donate

To give something to help a person or organisation

Key Ideas

Direct Deposit

Money deposited directly to your account

Key Ideas

Lender

A business or person who gives you money and expects it will be paid back with interest

Key Ideas

Minimum Wage

An amount made by law as the lowest amount that can be paid to an employee

Key Ideas

Cost

The amount of money you need to pay for something

Key Ideas

Inflation

The annual amount of increase that it costs to live, showed in a %

Key Ideas

Taxes

Necessary payments of money to the government to provide public services

Key Ideas

Quiz

1. Budget
2. Ledger
3. Income
4. Expense

Take a break

Start Session 2 at 10:15

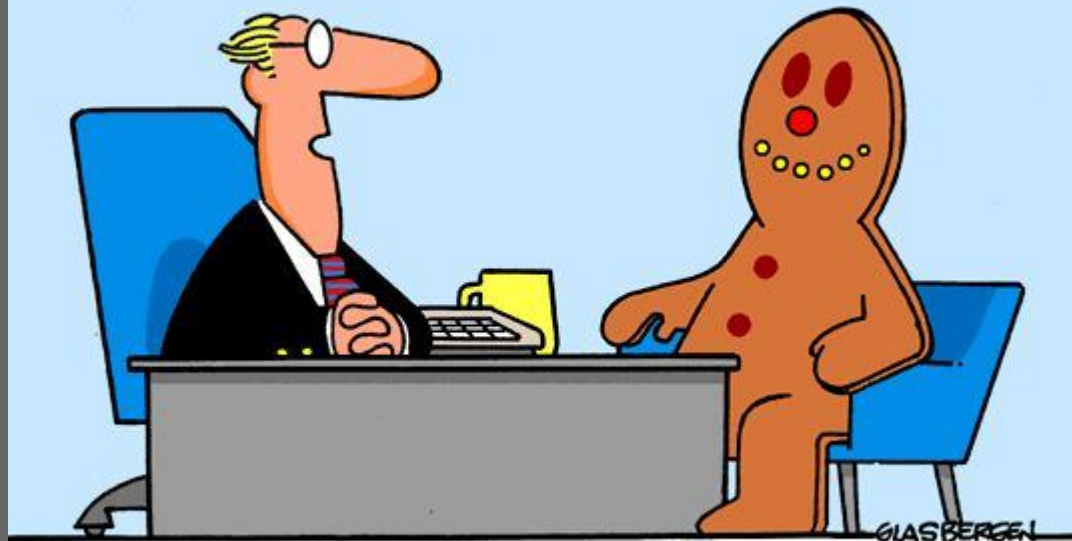


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Budgets, Ledgers, & Income / Expenses

Budgets, Ledgers, Income and Expenses

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“The economy is crumby. You’re an expert on crumbs. Talk to me.”

Budgets, Ledgers, Income & Expenses

- 1. Budget**
- 2. Income & Expense**
- 3. Receipts**
- 4. Ledger**
- 5. Profit & Loss**

Based on last year's costs, work out a budget for next year by using an inflation of 10%

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

Underline whether the item is an “income” or “expense”

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

Look at the daily receipts & add them together for each day

Date	Detail	Income	Expenses
01/02/2021	Receipts for the day	R900	
02/02/2021	Receipts for the day	R600	
	Balance for month	R 1500	

Look at the ledger transactions and complete the ledger by allocating expenses, income and balancing the ledger

Date	Detail	Income	Expenses
01/02/2021	Receipts for the day	R 300	
05/02/2021	Pay Teacher Lusinda		R1 200
05/02/2021	Pay Rent		R 800
07/02/2021	Receipts for the day	R 600	
	Balance for month	R 900	R2 000

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	R 5 550	R 10 300	R 15 850
School Fees	R 5 000	R 4 500	R 9 500
Donations	R 150	R 5 000	R 5 150
Uniforms	R 400	R 800	R 1 200
Expenses	R 9 500	R 9 200	R 18 700
Salaries	R 6 000	R 6 000	R 12 000
Groceries	R 2 200	R 2 200	R 4 200
Transport	R 1 500	R 1 000	R 2 500
Profit / (Loss)	- R 3 950	R 1 100	- R 2 850

Take a break

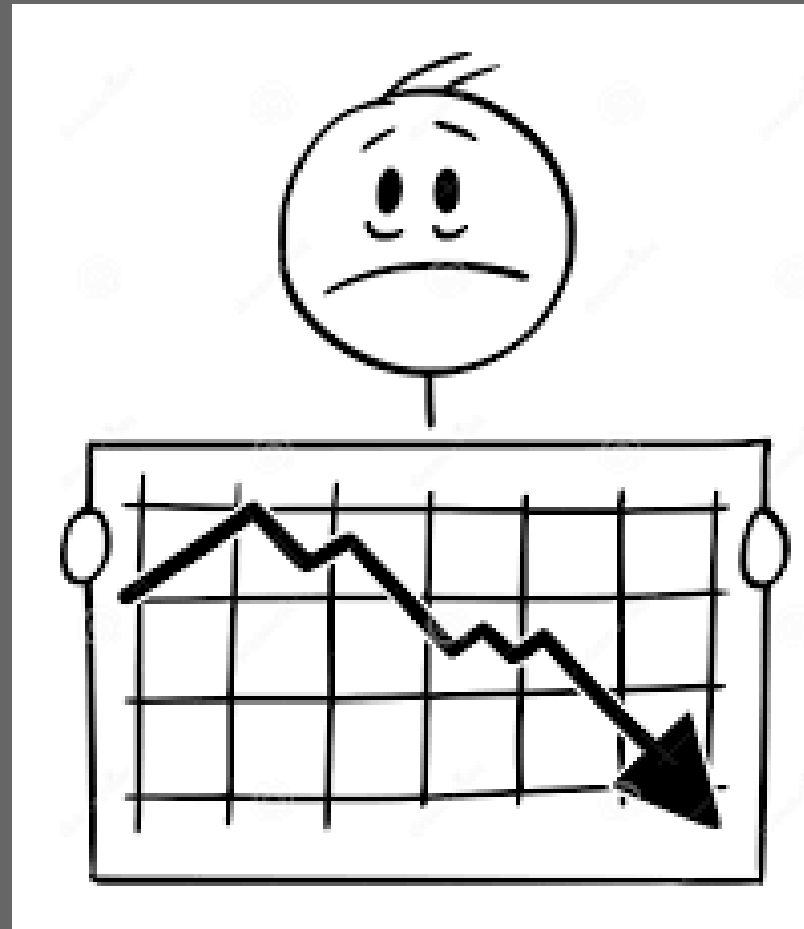
Start Session 3 at 11:45



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Save Bright Star

Save Bright Star



Save Bright Star

1. Inflation
2. Ledger
3. Analyse
4. Profit & Loss

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

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

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

Bright Star Ledger				
Trans	Date	Description	Income	Expense s
1,2,3	01/02/2021	Receipts of the day	R 1 500	
4	01/02/2021	Groceries		R 450
5,6,7	02/02/2021	Receipts for the day	R 1 500	
8	03/02/2021	Cleaning Materials		R 275
9, 10, 11	04/02/2021	Receipts for the day	R 1 500	
12	25/02/2021	Pay Teacher Margaret		R 1 500
13	25/02/2021	Pay Teacher Mary		R 1 500
14	28/02/2021	Pay Rent		R 1 500
	February 2021	Balance for the month	R 4 500	R 4 475

Analyse where Bright Star was under or over their February budget

	Budget	Actual	Under/Over/Budget
Income:	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	-

Analyse where Bright Star was under or over their February budget

	Budget	Actual	Under/Over/Budget
Expenses:	25 500	24 250	Under
Salaries	15 000	16 000	Over
Principal	2 000		Under
Groceries	4 000	4 000	-
Water & Lights	2 000	1 750	Under
Telephone	500	500	-

Analyse where Bright Star was under or over the ir February budget

	Budget	Actual	Under Over Budget
Gas	1 000	1 000	-
Uniform	750	750	-
Cleaning Mat	250	250	-
Profit/ (Loss)	-500	- 2 250	Over

Assess Bright Stars profit and loss and advise accordingly

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



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Thank you

Final Comments

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