Financial literacy – Government budgets

Levels 9 and 10,
Economics and Business,
sample activities

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**Note:** Please see the accompanying Financial Literacy – Government Budgets resources document for supporting resources that can be distributed to students.

Introduction

These sample activities address the Economics and Business curriculum area of the Victorian Curriculum F–‍10 at Levels 9 and 10.

In Australia, there are three levels of government, all of which collect taxation and spend it on government provided goods and services. These levels of government are:

* federal government (Australian Government)
* state/territory government
* local government.

The Budget is the Australian Government’s annual statement of how it plans to collect and spend money. Each year, the Australian Government must prepare and enact an Appropriations Bill, which authorises spending of government funds as outlined in the Budget.

These activities introduce students to the roles and responsibilities of government, which are funded and met through budgets. They allow students to explore how governments allocate funds in a budget, and understand the effects of unexpected events on government budgets.

This series of activities is designed to be completed in a sequence of lessons.

Overview of the activities

Timing

Approx. 180–240 minutes total

Links to the Victorian Curriculum F–10

Relevant Economics and Business Levels 9 and 10 achievement standard extract

By the end of Level 10, students describe how resources are allocated and distributed in the Australian economy and the way economic performance is measured.

Relevant Economics and Business Levels 9 and 10 content description

* Identify and explain the indicators of economic performance and examine how Australia’s economy is performing. ([VCEBR021](https://victoriancurriculum.vcaa.vic.edu.au/Curriculum/ContentDescription/VCEBR021))

Learning intentions

Students will be able to:

* describe the three levels of Australian government and name some responsibilities of each
* explain what a government budget is, and the process involved in developing a budget as a means of allocating and distributing economic resources
* define appropriate terminology
* describe the typical economic decision-making undertaken by government as part of its fiscal role as a means of managing the Australian economy and measuring economic performance
* conduct research into the latest Australian Federal Budget and evaluated
* develop and evaluate a basic funding proposal for government expenditure
* explain how unexpected economic events can affect government fiscal/budgetary policies and economic performance.

Teacher resources and preparation

* The following student worksheets have been provided in the accompanying Financial Literacy – Government Budgets resources document.
* Worksheet A: The roles and responsibilities of government
* Worksheet B: Government spending in the community
* Worksheet C: Writing a funding proposal
* Worksheet D: Unexpected events and government budgets
* Teachers should provide students with either hardcopy worksheets or access to worksheets online.
* Students will require internet access to complete the worksheets.
* Some of the activities include a ‘Key points to be conveyed to students’ section. Teachers can decide how they want to impart this information to students – for example, they may present some of the information as a display, provide handouts to students, look at websites or watch some of the online resources together as a class. These key points should be reinforced via class discussion before students are instructed to work on worksheets.

Student prior knowledge and skills required

* Internet research skills
* Completion of ‘[Financial literacy – Personal budgeting](https://www.vcaa.vic.edu.au/curriculum/foundation-10/resources/economics-and-business/Pages/Help-me-find-a-teaching-resource.aspx)’ worksheets and activities.

Key terms

* **Appropriations Bill**: A proposed law that approves the Australian Government to spend money for a specific, or designated purpose. Once an Appropriations Bill is passed by parliament the government is entitled to spend the amount of money stated in it for the purpose stated.
* **Balanced budget**: When total government revenues, (money collected or earned by the government equal total outlays (government spending) for a year. More simply, when what is anticipated will be spent by the government equals the revenue collected.
* **Budget**: An estimate of income and expenditure for a set period of time.
* **Budget deficit**: When government expenditure is greater than government revenue for the year. (Government anticipates that they will spend more money than they will collect in taxes and charges.)
* **Budget surplus**: When government expenditure is less than total revenue collected for the year. (Government anticipates collecting more in taxes and charges than it will spend.)
* **Fiscal policy**: The government policies about spending and taxation. Fiscal policies are used to maintain economic stability and affect levels of unemployment, interest rates, prices and levels of economic growth.
* **Government budget**: An estimate of government income and expenditure, usually for one year.
* **Government expenditure**: The total amount spent by a government, usually for the period of one year. Government expenditure includes amount spent on government consumption of goods and services, investment, and welfare payments. It also includes spending on investment items that will create a future benefit such as infrastructure investment or research spending.
* **Government revenue**: The total amount collected by the government in taxation, charges and earnings.
* **Opportunity cost**: What is forgone when an economic decision is made about the use of economic resources. That is, the value of the next best alternative foregone whenever a choice is made.
* **Taxation**: The practice of a government collecting money (taxes) from its citizens to pay for public goods and services.

Activities

Activity 1: Facts about the Australian Budget

1. Students use the Parliamentary Education Office [Budget factsheet](https://peo.gov.au/understand-our-parliament/how-parliament-works/parliament-at-work/budget/) page to find information on the following terms, concepts and government processes:

* Definition of Australian Government Budget
* Examples of government expenditure
* Section 83 of the Australian Constitution
* Documents that make up the Budget bill
* Who prepares the Budget
* Who approves the Budget
* Sources of government revenue
* The Budget speech
* Estimates Committee.

2. Compile and display a summary of points made.

Key points to be conveyed to students

* Each year, all three levels of government are each required to prepare a budget. A government budget shows all the money that government anticipates collecting as well as a prediction or plan of how this will be spent. The most well-known example of this is the Australian Federal Budget. The Australian Federal Budget is prepared by the Federal Treasurer and the public servants employed in the Department of Treasury. State/territory Treasurers are responsible for an annual budget for their state.
* The government budgetary bill (Appropriations Bill), which sets out exactly how the money is expected to be collected and spent by the government, must pass through both houses of parliament just like any other piece of legislation.

Online resources

* [Budget (Parliament Education Office)](https://peo.gov.au/understand-our-parliament/how-parliament-works/parliament-at-work/budget/)

Activity 2: Introduction to budget terminology

1. Watch the linked [ABC News video](https://www.youtube.com/watch?v=1AvvRy32sjc) with students. Pause to explain unfamiliar terms as required.

2. While watching, students list the terms that are new to them from the video.

3. Upon conclusion of the video, record and display all the words identified by students as being new.

4. Working in small groups, students then research and develop a definition for each term. Allocate a few to each group.

5. Students present and explain definitions to the class. All students record each word and its definition in their workbooks.

Examples of words students may not know: fiscal, fiscal policy, GDP, deficit, surplus, revenue, expenditure, infrastructure, social welfare.

Online resources

* [‘Federal Budget 2020's tax cuts, cash splash to put Australia in record debt’ video (ABC News, YouTube)](https://www.youtube.com/watch?v=1AvvRy32sjc)

Activity 3: Research the latest Australian Government Budget.

1. Students visit the Australian Government’s [2020–2021 Budget overview page](https://budget.gov.au/2020-21/content/overview.htm#one) and locate the amounts estimated in the 2020–21 Budget for the following revenues and expenses:

 Revenues:

a. Individuals income tax

b. Company and resource rent taxes

c. Sales taxes (GST).

 Expenses:

a. Social security and welfare

b. Health

c. Education

2. Working in pairs students discuss what is covered in each of the following areas of government spending and the amounts spent annually for the following:

a. Social security and welfare

b. Education

c. Health.

 Points to discuss:

* What is covered by each government department?
* Who benefits from each of the three areas of spending?
* Should more or less be spent in each area, and why?
* Should governments provide these services/goods? Students give reasons for their answers.

3. Students discuss their responses as a class. Record and display student ideas.

 **Example answers and justifications:**

 The Department of Social Services is allocated money from the Australian Government Budget to ensure that people have enough money for basic living costs. The Department of Health ensures that people have access to health care. Department of Education, Skills and Employment ensures people have access to schools and training. The more money people have, the more they spend and therefore, the more they will contribute to the economy.

4. Students complete **Worksheet A: The roles and responsibilities of government**. This activity could be completed in pairs or through a whole-class discussion.

Online resources

* [Budget 2020–21 (Australian Government)](https://budget.gov.au/2020-21/content/overview.htm#one)

Activity 4: Local government spending in the community

In small groups, students complete **Worksheet B: Government spending in the community**.

Key points to be conveyed to students

* Federal, state and local government each has distinct, but occasionally overlapping, areas of responsibility. Each level of government collects taxation and uses the revenue gained through taxation to meet their responsibilities. They use budgets to allocate and track spending.

Activity 5: Government economic decision-making

Economics is concerned with making decisions about how economic resources are going to be used and who will benefit from these economic resources. This activity looks government as an important economic decision maker.

Creating a government budget entails making economic decisions. Different governments will make different decisions based on what their economic priorities are. For example, to many people, economic equality and social welfare are important. This means they value living in a community where there are not huge wealth gaps between groups of people. This will result in policies that aim to redistribute wealth from wealthier to poorer sections of the community. These policies may include a system of welfare where pensions and other government benefits, such as health care, aim to create greater economic equality in society. Other people value economic freedom for individuals to trade and engage in business enterprise and expect government to support businesses more.

Economic priorities and political philosophy will be reflected in economic decision-making. For this reason, the way a political party will manage the economy is influenced strongly by the economic beliefs, priorities and principles of its members.

The economic decisions likely to be made by a political party are important considerations for an individual when determining who to vote for when electing the government in a political democracy such as Australia.

Governments need to make economic decisions about things like:

* how much money to collect through taxation
* which methods of taxation to use to collect money
* which citizens or organisations should pay the most and least amounts of tax
* who will benefit from the money to be collected in taxation and how?

1. If a government has insufficient revenue to cover all of their proposed spending, economic decisions have to be made about how to solve this problem (such as reducing spending or increasing revenue). Using think–pair–share, students brainstorm ways governments could resolve such an economic problem using these strategies.

 Record and display student responses.

2. Using think–pair–share, students discuss the potential impacts of each of the proposed solutions. Students consider who would benefit and who would be disadvantaged.

 Record and display responses.

 **Examples of possible responses and questions to consider:**

a. **Decrease the overall level of spending**. In what areas should spending be reduced? How will this affect the community and different groups within it? Consider who benefits and who does not. Is it ethical to reduce spending in certain areas, for example, pensions or health?

b. **Increase the amounts of taxation collected**. Which taxes could be increased? Which taxes should be increased/decreased? Which groups should pay more tax or higher taxation rates? Who will be impacted by the change in each type of taxation? For example, which sorts of taxes disproportionally affect lower socio-economic groups? What are the potential consequences on other parts of the economy of increasing or decreasing certain types of taxation? Which types of taxation affect which groups in society more than others?

c. **Borrow the extra money required**. How will the debt be ‘serviced’ (repaid)? The government will need to repay both interest and the principal of any loans taken out.

d. **Sell assets owned by the government to finance the spending**. Which assets could be sold/ why? Who could they be sold to? What would the impact on the community be? Consider the ethical implications of this. How might future earnings from those assets be covered in the future?

Key points to be conveyed to students

* Each year, governments must make decisions about what revenue they will collect and spend. Governments need to determine how much will be collected and spent, and in what areas.
* Often a decision needs to be made about whether or not the government will go into **deficit** (spend more than they receive), **surplus** (spend less than they receive) or **balance the budget** (spend the same amount that they receive).
* These decisions are dependent on the needs in the country at the time and the economic and political priorities of the government itself.

Activity 6: Writing a funding proposal

Community groups and individuals are commonly required to submit a proposal to government to obtain government funding for a project. This activity introduces students to the tasks in writing a proposal and presenting it for approval.

1. Students work in small groups to develop a proposal for government spending as detailed in **Worksheet C: Writing a funding proposal**. Students then create a short summary/pitch for their proposal, and submit their full proposals for marking.

2. Upon completion, students peer-assess the other proposal summaries from the class (this could be done anonymously). Students select the proposal they think is the way to spend the $25 million of government funds, considering their knowledge of economic decision-making. Students record the reasons why they made this decision.

3. Based on a vote, the class declares a winning proposal.

Activity 7: Government budgets and unexpected events

Students complete **Worksheet D: Unexpected events and government budgets**.

Key points to be conveyed to students

* A budget is only an estimate of the amount of revenue the government is going to receive, and what it will spend. Unexpected events can and will often change this.

Assessment

Collect and assess worksheets and student workbooks.

Further tests or assignments based on these activities could be developed as summative assessment.