



Build your skills for managing your money

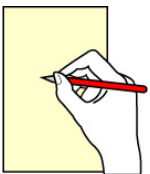
Managing your debts – Part 3

This part of the task gives you the chance to try out your skills and check your progress with some typical questions from the Entry 3 National Certificate.

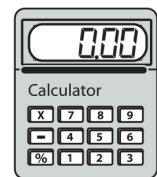
It also contains the answers to all the activities in Part 1 and Part 3.

Try It Out

Now try out your skills by doing the following two tasks.



Task 1



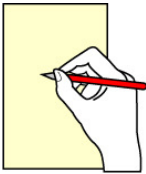
Miriam has rent arrears of £335. She has spoken to her landlord and he has agreed that she can pay off £20 per month towards the cost of these arrears.

Rent Book Regulations (NI) 2007 Rent Book	
<p>The address of premises</p> <input type="text"/> <input type="text"/> <input type="text"/>	<p>The rent payable and the period covered by each payment</p> <p>Amount of rent payable £ <input type="text"/></p> <p>Period covered by each payment:</p> <p>Monthly <input type="checkbox"/> Fortnightly <input type="checkbox"/></p> <p>Weekly <input type="checkbox"/> Other <input type="text"/></p>
<p>The name of tenant</p> <input type="text"/> <input type="text"/> <input type="text"/>	<p>The capital value of the dwelling</p> <p>£ <input type="text"/></p>
<p>The name, address and telephone number of the landlord</p> <p>Name <input type="text"/></p> <p>Address <input type="text"/></p> <p>Tel. No <input type="text"/></p>	<p>The amount of rates payable by the tenant, in addition to rent, and the period covered by each payment</p> <p>Amount of rates payable £ <input type="text"/></p> <p>Period covered by each payment:</p> <p>Monthly <input type="checkbox"/> Fortnightly <input type="checkbox"/></p> <p>Weekly <input type="checkbox"/> Other <input type="text"/></p>
<p>The name, address and telephone number of the landlord's agent (if any)</p> <p>Name <input type="text"/></p> <p>Address <input type="text"/></p> <p>Tel. No <input type="text"/></p>	<p>Tenancy commencement date</p> <p><input type="text"/> / <input type="text"/> / 20</p>

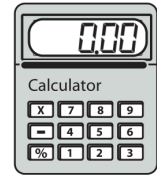
- 1 How many months will it take Miriam to pay off the arrears she owes?
- 2 How long is this in years and months?
- 3 How much will her final payment be?



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Task 2



Ray owes money to several creditors:

UK GAS
UK GAS
12 Hawbridge House
Nottingham
NT1 6HQ

Statement of charges

Overdue account: £200

MT Electric

Dear Mr Smith

You owe £400. If you do not make arrangements to pay this amount immediately, we will cut off your supply.

YourBank

Mortgage statement Account no: 2131953

Your account is £600 in arrears.

He has worked out a personal budget and thinks that, by being very careful about how much he spends, he could find £150 a month he can use towards paying his creditors.

1 Work out how much he should pay to each of his creditors.

EITHER:

- Use the 'Money Matters to Me' repayment calculator (www.moneymatterstome.co.uk/9-Implications-of-finance/Sub1/Activity-PersonalBudgetAndRepayCalc.htm)

OR

- Use the method practised in Activity 4:

- Add up all your debts. This gives the total amount you owe.

Then, for each creditor:

- Multiply what you owe that creditor by the money you have available towards paying off your debts.
- Divide the result by your total debts.

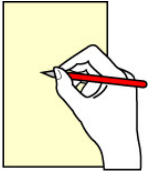
The result is the amount that you can repay that creditor.



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- 2 How long will it take him to pay off these debts if he keeps paying the amounts you have worked out each month?

Tip: Think about the amount he owes to a single creditor and how much he will be paying per month. How many months will it take to pay the debt?



Questions to check on your progress

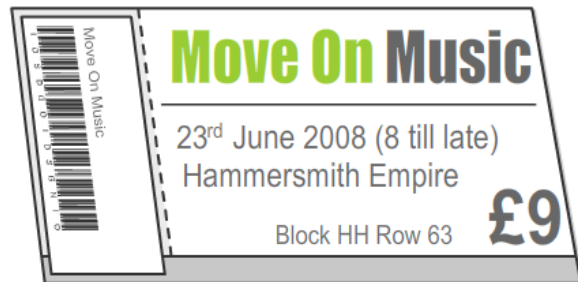
These questions are taken from the Progress Checks – confidence-building tests from the Learner Route.

Q1

This question is about a music concert.

A customer has £50. What is the **largest** number of £9 tickets he can buy for £50?

- A 4
- B 5
- C 6
- D 9



Q2

This question is about a taxi driver.

The taxi driver collects an average of £7 a day in tips.

How many days does it take her to collect £50 in tips?

- A 6
- B 7
- C 8
- D 9



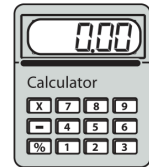
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Q3

This question is about buying a new car.

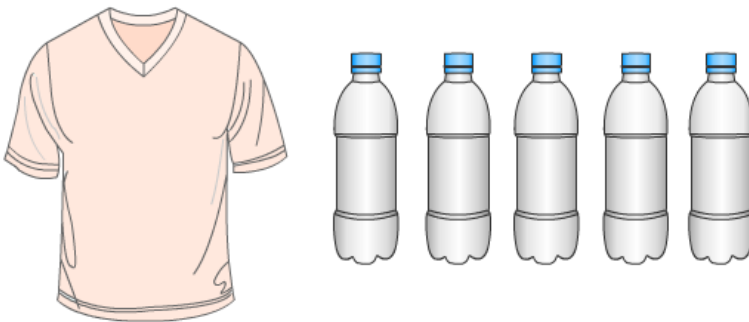
The road tax for this car costs £165 for six months.

How much is the cost per month?



- A £26.00
- B £27.00
- C £27.50
- D £28.00

Q4



This question is about saving energy and recycling.

One T-shirt can be made from 5 recycled plastic bottles.

How many T-shirts can be made from 28 recycled plastic bottles?

- A 4
- B 5
- C 6
- D 7



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Q5

This question is about the costs of home media products.

Four out of ten people choose to buy one package for television, phone and broadband altogether.

Which fraction is the same as $\frac{4}{10}$?

- A $\frac{2}{10}$
- B $\frac{1}{4}$
- C $\frac{2}{5}$
- D $\frac{1}{2}$

Q6

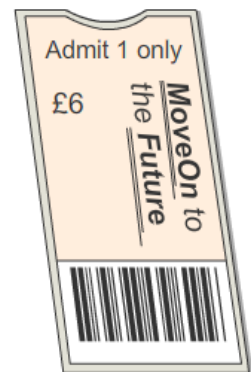
This question is about a cinema.

Tickets for the cinema cost £6 each.

A customer has £45.

What is the largest number of tickets that can be bought for £45?

- A 6
- B 7
- C 8
- D 9





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Answers to questions in Part 1

Activity 1 (answers)

- 1 £195 ÷ £10 = 19.5 => **20 months**
- 2 £125 ÷ £10 = 12.5 => **13 months**
- 3 £365 ÷ £10 = 36.5 => **37 months**
- 4 £420 ÷ £30 = 14 => **14 months**
- 5 £225 ÷ £20 = 11.25 => **12 months**

Activity 2 (Answers)

	Payment period in months		Payment period in years and months
1	39 months	<i>36 months + 3 months</i>	<i>3 years and 3 months</i>
2	27 months	24 months + 3 months	2 years and 3 months
3	31 months	24 months + 7 months	2 years and 7 months
4	19 months	12 months + 7 months	1 year and 7 months
5	22 months	12 months + 10 months	1 year and 10 months
6	42 months	36 months + 6 months	3 years and 6 months

Activity 3 (Answers)

The most likely matches are:

1	TV licence not paid	B	You may be taken to court
2	Rent arrears	D	Possible eviction from your home
3	Council Tax arrears	C	Compulsory deduction from income
4	Electricity bill unpaid	A	Supply cut off
5	Gas bill overdue	G	Supply cut off
6	Credit card payments not made	H	Bailiffs may take some of your possessions
7	Mortgage arrears	F	Possible repossession of your home
8	Hire-purchase (HP) payments overdue	E	Repossession of goods



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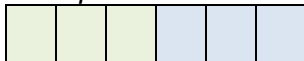
However, you may have some slight variations to some of these matches. For more information and advice about the risks associated with different debts, see: www.moneymatterstome.co.uk/9-Implications-of-finance/Sub1/PrioritisingYourDebts.htm.

Or try the activity 'What happens if I don't pay?' (www.moneymatterstome.co.uk/5-Spending-and-budgeting/Sub1/WhatHappensIfIDontPay.htm).

Activity 4 (Answers)

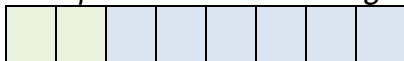
1	Creditor	Amount owed	Fraction of total debt
	Electricity	£300	$\frac{1}{2}$
	Mortgage	£300	$\frac{1}{2}$

Visual representation showing $6 \times £100$:



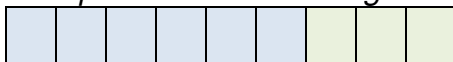
2	Creditor	Amount owed	Fraction of total debt
	Water	£200	$\frac{1}{4}$
	Mortgage	£600	$\frac{3}{4}$

Visual representation showing $8 \times £100$:



3	Creditor	Amount owed	Fraction of total debt
	Rent	£600	$\frac{2}{3}$
	Gas	£300	$\frac{1}{3}$

Visual representation showing $9 \times £100$:



4	Creditor	Amount owed	Fraction of total debt
	Electricity	£250	$\frac{1}{4}$
	Gas	£500	$\frac{1}{2}$
	Rent	£250	$\frac{1}{4}$

Visual representation showing $10 \times £100$:

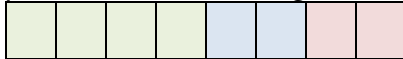




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5	Creditor	Amount owed	Fraction of total debt
	Water	£400	$\frac{1}{2}$
	Mortgage	£200	$\frac{1}{4}$
	Electricity	£200	$\frac{1}{4}$

Visual representation showing $8 \times £100$:



Activity 5 (Answers)

- 1 Max owes money to the creditors shown in the table below and has £200 available towards paying his debts.

Creditor	Amount owed		Payment
Council Tax	£500	$£500 \times £200 = £100\ 000$	$£100\ 000 \div £1\ 000 =$ £100
Rent	£300	$£300 \times £200 = £60\ 000$	$£60\ 000 \div £1\ 000 =$ £60
Gas	£200	$£200 \times £200 = £40\ 000$	$£40\ 000 \div £1\ 000 =$ £40
	£1000		£200

- 2 Ella has the following debts. She has £400 she can use towards paying off these debts.

Creditor	Amount owed		Payment
Mortgage	£750	$£750 \times £400 = £300\ 000$	$£300\ 000 \div £1\ 250 =$ £240
Electricity	£250	$£250 \times £400 = £100\ 000$	$£100\ 000 \div £1\ 250 =$ £80
Water	£250	$£250 \times £400 = £100\ 000$	$£100\ 000 \div £1\ 250 =$ £80
	£1250		£400

- 3 Nuri owes money to the creditors shown in the table below and has £200 available towards paying his debts.

Creditor	Amount owed		Payment
Rent	£280	$£280 \times £200 = £56\ 000$	$£56\ 000 \div £800 =$ £70
Electricity	£400	$£400 \times £200 = £80\ 000$	$£80\ 000 \div £800 =$ £100
TV licence	£120	$£120 \times £200 = £24\ 000$	$£24\ 000 \div £800 =$ £30
	£800		£200



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Try It Out (Answers)

Task 1

1 $£335 \div 20 = 16.75$

So it will take **17 months** to pay the arrears.

(After 16 months she won't have paid quite enough to pay the full arrears.)

2 17 months is **1 year and 5 months**.

(12 months + 5 months = 17 months)

3 16 payments will be $16 \times £20 = £320$

So after she's made 16 payments, she will still have the last **£15 left to pay** in the last payment.

Task 2

1 The amount Ray should pay each creditor is:

Creditor	Amount owed		Payment
UK Gas	£200	$£200 \times £150 = £30\ 000$	$30\ 000 \div 1200 =$ £25
MT Electric	£400	$£400 \times £150 = £60\ 000$	$60\ 000 \div 1200 =$ £50
Mortgage	£600	$£600 \times £150 = £90\ 000$	$90\ 000 \div 1200 =$ £75
	£1200		£150

2 He owes MT Electric £400. If he pays £50 a month, it will take him **8 months** to pay the debt. ($£400 \div £50 = 8$)



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Progress Check (Answers)

Q1 **B** $£50 \div £9 \Rightarrow 5 \text{ tickets}$ ($5 \times 9 = 45$)

There isn't enough for 6 tickets.

Q2 **C** $£50 \div £7 \Rightarrow 8 \text{ days}$ ($7 \times 8 = 56$)

After 7 days she'll only have £49, so not quite £50 yet.

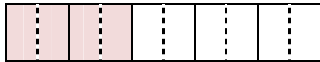
Q3 **C** $£165 \div 6 = £27.50$

The cost of road tax per month is exactly £27.50.

Q4 **B** 5 bottles per T-shirt \Rightarrow 28 bottles will make 5 shirts ($5 \times 5 = 25$)

There isn't enough for 6 T-shirts

Q5 **C** $4/10$ is the same as $2/5$



Q6 **B** $£45 \div £6 \Rightarrow 7 \text{ tickets}$ ($6 \times 7 = 42$)

There isn't enough for 8 tickets.