Securities and Exchange Board of India

Financial Education for

SCHOOL CHILDREN

The content of the book is developed National Stock Exchange (NSE) under the guidance of the Advisory Committee for the Investor Protection and Education Fund (IPEF) of Securities Exchange Board of India (SEBI)

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Session 1

Money Matters: *They really matter!*

Activity I

Ravi and Mohan are students of class 10th of ABC Public School. One day both of them went into an argument about who is wealthier? The argument peaked up and they started to mention the things which they possessed.

Ravi started first and mentioned following are the things available with him:

- Cycle worth Rs.2250.
- Watch worth Rs. 475.
- Books worth Rs.1250.
- A Cricket bat of worth Rs.345. He borrowed the racquet from Rajesh for some time.
- 5 Wonderland comics each worth Rs.35 each. Out of the five comics, he had borrowed two from Arjun.

Things available with Mohan are as follows:

- Books worth Rs.750.
- Basket ball worth Rs.650.
- A Mobile worth Rs.1000
- He borrowed two games CD from Chandan worth Rs.100 each.
- A video game worth Rs.1250.
- A tennis racquet worth Rs.1000. He has lent the racquet to Pankaj for few days.

Both of them know the things available with them and their respective prices. But they don't know how to prove who's wealthier? Can you help both of them to know who is wealthier?

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Wealth is determined by Net worth

Net worth = Assets – Liabilities

Asset: Something you own

Liability: Something you owe

ACTIVITY II:

Let's enhance our understanding of assets and liabilities further:

The information furnished below is of Mr. Pawar You need to calculate the net-worth of Mr. Pawar by identifying the items as assets or liabilities:

Speaking Money wise: You are worth your Net worth

ITEM	AMOUNT (Rs.)	ASSET	LIABILITY
Savings bank account balance	55,000		
Shares of listed companies	60,000		
Car	3,25,000		
House	25,00,000		
Furniture	12,500		
Air Conditioner	14,000		
Microwave	10,500		
Laptop	22,000		
Gold Jewelry	75,000		
Life Insurance – Surrender Value	85,000		
Car Loan Outstanding	2,00,100		
Home Loan Outstanding	12,00,000		
Money lend to a friend	15,000		
Payment to maid not paid	1,500		
Total Assets			
Total Liabilities			

Net worth = Total Assets – Total Liabilities

Net worth of Mr.Pawar is Rs. _______________

Planning: *The Mantra of Success!*

We all have Goals in life:

I want to buy a cricket Bat

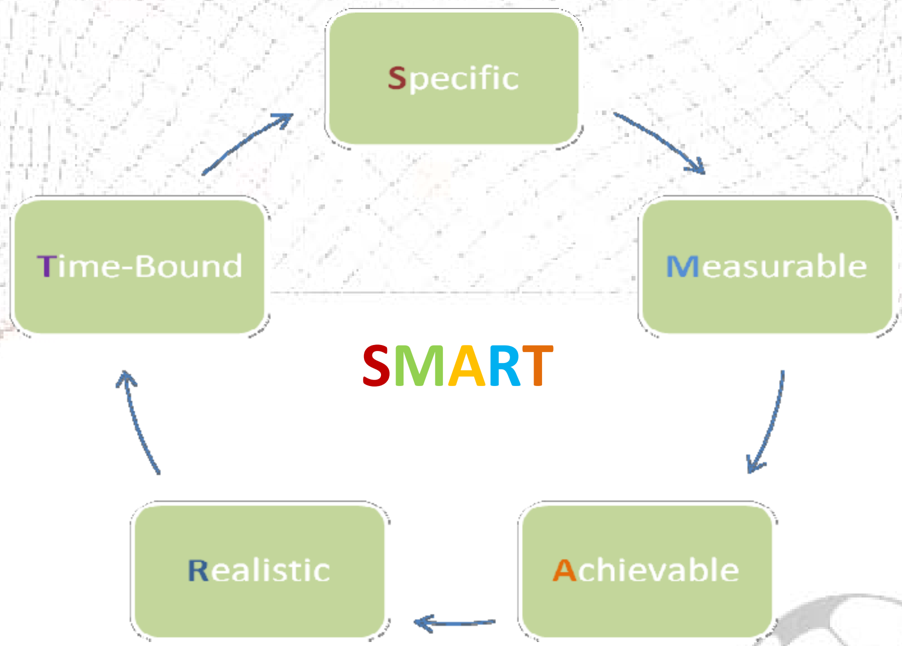
I want to go to picnic

I want to buy a cycle

I want to get admission in ABC College

Have you ever wondered why many of our goals are delayed or worse not fulfilled? Well, simply because we are wishful about our goals and we have no definite ***PLAN*** to achieve these cherished goals.

The starting point to achieve any Goal is to have a plan for it. Once you have a plan, it is no more a vague goal, it becomes a SMART Goal.



Let's see the difference between what is Smart and what is not:

SMART	Not Smart	Smart
Specific	I want to go to picnic	I want to go to Matheran for Picnic
Measurable	I will need some money to buy a cycle	I will need Rs.2000/- to buy a cycle
Achievable	I will win the cricket match alone	I will need support of the team to win the cricket match
Realistic	By winning the lottery I will buy a Cycle.	I will start saving to buy a cycle.
Time-Bound	I will buy a cricket bat some time in future.	I will save 50/- every month to buy cricket bat in 10 months

Activity III:

Below are the goals of some smart kids like you. Now your task is to plan a SMART goal for each one of them so that they can achieve their goals:

1)
Name: Mitesh Jain
Age: 15 years
School: Modern Public School
Passion: Play football
Dream: Wants to buy a football.

SMART goal:

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2) Name: Ankita Singh
Age: 14 years
School: Laxmibai Public School
Passion: Learn Cricket
Dream: Buy a Cricket bat

SMART goal:

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Success Wise : To climb the ladder of success you need to have SMART Goals !

Session 2

Budgeting: *Prioritizing the needs!*

Activity IV:

Mr. and Mrs. Singh have following family demands to meet:

1. Purchase a shawl (as it is winter) for Mr. Singh's mother as a present on her birthday
2. Elder son Sahil is demanding a Cycle to commute
3. Younger son Rohan demanding a latest Video game
4. Gift for the marriage of a common friend Mr.singh has to attend. Gift can be a gold set.
5. The couple also wants their house to be decorated by an interior decorator.

Discuss the demands and prioritize them on the basis of importance and urgency. Then take required action:

Win with prioritization	Urgent	Not Urgent
Important	I. Urgent and important as well Action: Need to do now	II. Important but not urgent Action: Plan to do it later
Not Important	III. Urgent but not important Action: Do it if cash flows allow	IV. Nethier urgent nor important Action: Ignore

Demand	Urgent	Important	Action
Shawl for Mr. Singh's mother	Y	Y	**BUY**
Sahil's Cycle	N	Y	**PLAN FOR LATER**
Rohan's new videogame	N	N	**DON'T BUY**
Marriage gift for common friend	Y	N	**BUY A LESS EXPENSIVE GIFT TO THE EXTENT CASH FLOWS PERMIT**
House decoration	N	N	**IGNORE**

Remember

Needs are basic necessities one cannot wish away. For example in summer fan becomes a need.

On the other hand wants make your life comfortable .An air conditioner makes life more comfortable in summer.

Activity V: Write down various needs and wants of your family and suggest action as per prioritization

Demand	Urgent	Important	Action

Budgeting: Let's first learn few terms about Budgeting

Cash-flow Statement: A record of your income and expenses.

Budget: A plan for balancing of income and expenditures or a projection of one's income and expenditure.

Necessity of Budget:
Optimize savings
Traffic signal for vehicle called 'Spending'.
Save accurately for a particular short/long term goal.
Effectively allot funds to various areas of expenditure in advance.

Budget Surplus or Deficit:
Projected income > Projected Expenditure = Budget surplus
Projected income < Projected Expenditure = Budget deficit

Postponing Satisfaction: Let go something now for something better/bigger in the future. Eg: giving up the idea to buy video game now to purchase a bicycle in the future.

Instant Satisfaction: Instantly buy something when you want it. Eg: Purchase a video game instantly when you want it.

Opportunity Cost: At a point of time, when you give up something to achieve something else, the forgone opportunity is known as 'Opportunity Cost'. Eg. You have an option to either buy a video game or a bicycle and you opt for the bicycle, then the video game is the opportunity cost for purchasing bicycle.

Knowledge of budgeting is an advantage for children: Art of budgeting helps a person develop economic way of thinking and problem solving

Activity VI: Plan your Budget

Himanshu is a 15 year old boy and he stays in Hyderabad with his family. His family consists of his father, his mother and sister Priya.

Himanshu gets Rs.1500 as a monthly allowance from his parents. Out of Rs.1500 he has to pay Rs.600 as school bus fees. He has to pay Rs.200 for Yoga classes and Rs.300 for canteen. Out of the remaining amount he uses Rs.200 for the recharge voucher for his mobile. He is an avid fan of comics and hence he spends Rs.150 (4 to 5 comics) on comics. Rest of the money he spends on stationary and/or ice cream.

His sister Priya always gives him a birthday present but he never gave anything to her on her birthday. But this year he has decided to give her a surprise gift.Priya's birthday is after 2 months. But as of now he has no savings with him and he didn't want to borrow extra money from his parents for the purpose. He didn't want to borrow money from a friend as his parents would get angry if they come to know about it.

He wants to give a dress to his sister which costs Rs.600 which he unable to find any way to get money to buy it. Can you help Himanshu to attain his goal???

What should be Himanshu's SMART goal?

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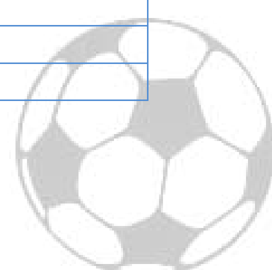
Analyze the needs /wants of Himanshu:

Description	Amount	Need	Want



Planning and reworking on Himanshu's budget:

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Note:

Income: *Money earned from various sources*

Expenditure: *Money that is spend for need and wants*

Cash-flow statement: *Record of income and expenditure*

Activity VII

Jai is a 14 year old boy who resides in Pune with his family. His family consists of four members, his father, mother, younger sister and himself. One day he along with his younger sister Disha decided to go for a family trip to Manali. When he discussed their desire to his parents, they liked the idea but kept it in the backseat as there were some urgent needs that were supposed to be fulfilled in the year. Understanding the problem of his parents, he decided to save money from household expenses and plan the trip with the savings. He discussed this strategy with his parents and they were very happy and appreciated this apt decision of their wise son. They also promised to spare Rs.15000 for the trip. Rest was dependent on the savings. The plan for the trip was 6 months from now. Jai enquired about the expenses of the trip and came to know that total trip will cost approximately Rs.30000. He collected the details of monthly expenditure of family in a chart along with the additional details which are as follows:

- Every Sunday, family goes for an outing. They watch movie in the theatre which costs them Rs.150/person.
- After movie they go for a long drive which costs them Rs.300/Sunday. Dinner in a restaurant
- which costs them Rs.550/Sunday.
- His father uses his car to commute to his office which costs them Rs.150/day. His father also possesses a
  Bike which when used to commute to office will cost them Rs.50/day. He works 22 days a month.

Following are the list of other monthly expenditure of the family: Help Jai to meet his requirement by suitably modifying the family budget for him.

Area of Expenditure	Current Expenditure/month	Scope for curbing	Proposed saving	Savings in 6 months
Medical & emergency Reserve	2500			
Electricity bill	1000			
Phone bill	1800			
Movie & Popcorn at Multiplex				
Dinner at a restaurant				
Long drive expenses				
Grocery	5500			
Father's diesel charges				
Misc	800			
Total				
Expected Saving				
Total Saving				

Activity: VIII

Prepare your family's monthly budget & find out monthly surplus/deficit

Area of Expenditure	Current Expenditure/month
Total Expenses	

Area of Income	Current Income/month
Total Income	

Income – Expenses= Surplus/Deficit = ____________________________

Session 3
Investments

Keep your money safe and make it work !!!

Once upon a time at a bank:

Ankush went to a bank along with his father

Banker: (to Ankush), Son do you have a piggy – bank?

Ankush: Yes Sir, and it is almost full and I plan to buy another one.

Banker: why don't you put the money in the bank?

Ankush: I have Rs. 150 with me, but why should I give it to your Bank? Will you return my money?

Banker: What if I say, I not only will return money but give you additional Rs 10 at the end of the year

Ankush: I would let you know after asking my father.

Ankush is wondering Why would the banker return Rs.160 if he is giving only Rs.150?

What is this extra Rs.10 that Banker is offering to Ankush?

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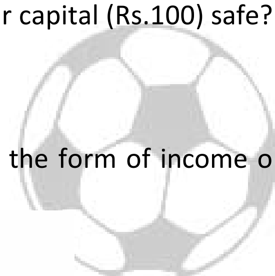
Three pillars of Investment!

Ankush later at home asks his father, why the banker offered him extra 10 Rupees. Father replied its called return
On investment and in this case it is named as interest. There are three aspects to investment you must know:

Safety: If you lend 100 rupees to someone, will he give it back to you i.e. is your capital (Rs.100) safe?

Liquidity: Will you get your money back if you need it immediately?

Growth: What is the return you will get on your investment? It could be in the form of income or appreciation or both.



Activity: IX

Real Bank Vs. Piggy Bank: Let's compare them on 3 crucial features:

	Piggy Bank	Real Bank
Safety		
Liquidity		
Growth		

Write down at least three different avenues of investment you can think of:
1.____
2.____
3. _______________________________________

Banking:

But what is a Bank?

Bank is an institution where people park their surplus money (Deposit) and earn some return called interest. At the same time people who need money can borrow from bank for a cost (again interest).Therefore bank is an institution involved in the business of borrowing and lending money. It charges higher rates of interest while lending and pays lesser interest to depositors. The difference between lending and borrowing rate is called its Net interest margin (NIM)

For any country banks play a vital role for the financial needs of Individuals and companies, enabling smooth Economic activity

Types of bank Accounts:

Savings Account: It is useful for depositing your surplus money and withdrawing money needed for expenses. One needs to keep a minimum balance usually. Banks pay lowest interest rate on the money kept in this account.

Current Account: This account is for basically business transactions. Banks do not pay any interest on the money kept in this account.

Term deposit account or fixed deposit amount: As the name suggests in this account money is deposited for a fixed and predetermined term. One deposits money which is not required immediately in this account. Interest rate is higher than savings account.

Activity: X

1. **What is ATM?**
2. **What is a cheque?**
3. **What is a Demand draft?**
4. **e-banking ?**

Session 4

INVESTMENT MANTRAS

1. Time value of money

Sunny:

- Starts investing Rs. 100 every year from the age of 15
- At the age of 25, she stops investing
- He does NOT withdraw a single penny from this money

Bobby:

- Starts investing Rs. 400 every year from the age of 25.
- He continues to invest the same amount till the age of 35. He does NOT withdraw a single
- penny from this money.

Given: Both earn 15% per annum return on their investment.

Who do you think will have accumulated more wealth at the age of 35?

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What did you understand from the above?

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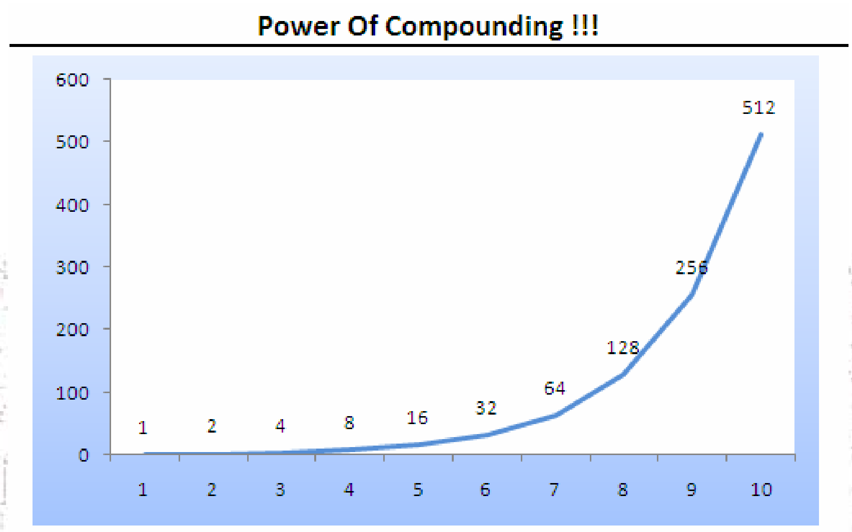
2. What is the eighth wonder of the world?

Once upon a time there lived a wealthy king. He was revered for his intelligence and as a true patron of

Innovation. One day a man brought to him a new board game that the man had invented. He called the game 'chess'. The king played the game with the man and he was so impressed that he asked him to choose a reward for himself. The man asked for one *ashrafi* (gold coin) for the first square of the chess board, 2 *ashrafis* for the second, 4 for the third, 8 for the fourth and so on for all the 64 squares on the chess board.

The king found it a very easy reward. But till the 64th square, the man had managed to gather 18,446,744,073,709,551,615 *ashrafis*!!!! The king had given the man his word so he had to stick to it. So even after having emptied his entire treasury, he could not pay the man's full reward.



The story underlines the concept of ______________________________

What did you understand from this?

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3. How many years are good enough! What rate is good enough?

The table below shows you how a single investment of Rs.500 will grow at various rates of interest.

Years	5%	10%	15%	20%
1	525	550	575	600
5	638	805	1006	1244
10	814	1297	2023	3096
15	1039	2089	4069	7704
25	1693	5417	16459	47698

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Can you interpret the above table?

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4. Never ever give up!

Harsha and Varsha, twins, decide to invest Rs. 3000 every year when they are 25 years old. Harsha just gave up at the age of 30 whereas Varsha continued to invest regularly. A few years later, Harsha decided to make up for all those years so she invested a lump sum of Rs. 20,000 when she turned 35 and again invested Rs. 25,000 at the age of 42. Thus by the age of 45, both Harsha and Varsha had invested Rs. 63000 each. Assuming a growth rate of 15%, Harsha had Rs. 4 lakh whereas Varsha had Rs. 3.8 lakh.

Why did Varsha lose?

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5. The magic of number 72!

Magic with 72!

State Bank offered an interest rate of 8 % on deposits. Mr.Patil wants to know when his money would double. Can you help Mr.Patil?

Simply divide 72 by the given rate i.e. 72/8 = 9 years. It also works for finding out rate earned when money is doubled in given years.

The Rule of 72:

Rate of interest	Years required to double your money	Years to invest	Rate required to double your money
10		6	
8		9	
12		10	

6. Skating Away!!!!!

Leena is 15 and has just passed her class X exam. She has been attending skating class regularly for last 2 years and she is recognized as one of the best in the group. Recently she heard from her master that INLINE Skates are becoming popular, winning the competition in INLINE Skates can get her admitted to one of the best colleges 3 years later under sport quota. Since then she has been obsessed with the idea of getting an inline skates and practice with it. Leena goes to the store selling the best Skates in the city and finds out that the equipment would cost her Rs. 40,000!

Heart-broken, she goes to her skating teacher and tells him about the inline skates. Her teacher is a young and talented skater himself. He listens carefully to Leena.

Teacher: "What is the trouble then?"

Leena: "Sir, are you making fun of me? How can I afford that?"

Teacher: "Leena you play really well for your age but I suggest you continue playing the normal skates for 4-5
Years. We can then consider inline skates".

Leena: "Sir I know I don't need it right now but I would like to have it at least next 5 years so that I can participate in the competition. But the price is so high; there is no way I will be able to afford the equipment even after 7-8 years. After all, I am going to be studying all along. I won't be earning. Right now I save about 400 rupees per month but this paltry sum can never get me that skates." The teacher smiled with a glint in his eyes. He said, "Leena please don't think that I am making fun of your situation. Not at all. In fact you took me 10 years back in time when I made a similar decision to buy my own skates when I was merely 14!"

Leena got a little excited. She said, “Really sir, did you succeed? You must have really pinched yourself to save so Much money!”

Teacher: “You see that skates, that’s the one that I bought when I was exactly 21!”

Leena: “How did you manage such an amazing feat?”

Teacher: “Just regular saving and investment. I did not had to sacrifice much either. I just saved and invested a small amount regularly and did not stop till I got what I wanted. I also started saving about 150 rupees every month for the last two years in high school and then saved more and more as I grew up and earned a little bit of money.

Leena: Do you think I will be able to buy the skates too, on my own... that is... I don’t want to bother my dad.

Teacher: Of course you will be able to! Get a pen and paper and let’s make you a plan!!

Amount per month	Period of Investment	Principal Amount	Possible rate of Interest	Final Amount
Rs.200	8 years	19,200	10%	
Rs.300	6 years	21,600	9%	
Rs.400	5 years	24,000	8%	
Total				

7. The Inflation Termite: *Beware!*

At what price did you buy your school bag last time? Will you get it for the same price today? The answer is probably no. This means the price of things keep on increasing. This phenomenon of price rise is called Inflation.

Now let us assume, the price of your school bag was Rs.200 last year and it costs Rs.210 this year, the inflation rate therefore is 5% (=10/200 *100= 5%). Now if you had saved Rs.200 last year and expected to buy the bag this year with your saving you would be short of Rs.10. Therefore, it very important that are savings are invested at a rate which is higher than inflation.

For example, if you have invested Rs.100 at the rate of 10% and the inflation is 5%, then you have actually earned only 5%. (10%- 5% = 5%). This 5% is your real rate of return and 10% is called as nominal rate of return.

Activity: XI

Smart Guide for your family Activity:

- ✓ Identify the sources of income
- ✓ Find out if there is a surplus or deficit
- ✓ Build Cash flow statement and plan for budget
- ✓ Calculate savings that can be invested for returns
- ✓ Show benefits of Investments

Session 5

Stock Market

Can you identify these buildings?

National Stock Exchange and Bombay Stock Exchange. The oldest stock market in Asia, BSE stands for Bombay Stock Exchange and the largest stock exchange in India and the third largest in the world in terms of volume of transactions, NSE stands for National Stock Exchange, both are Mumbai-based stock exchanges. Though a number of other exchanges exist, NSE and BSE are the two most significant stock exchanges in India, and are responsible for the vast majority of share transactions.

What is a Stock Exchange?

A 'stock exchange' is an organization constituted for the purpose of assisting and carrying out buying, selling or otherwise dealing in securities.

What are securities?

Securities are financial instruments and include instruments such as shares, bonds, debentures of a company or body corporate or a government. Thus, a stock exchange provides a trading platform, where buyers and sellers can meet to transact in securities. A stock exchange could be a regional stock exchange whose area of operation/jurisdiction is limited to a region or a national exchange permitted to have nationwide trading.

About SEBI

The function of the securities market is to allow companies to raise capital from public (primary market) and to enable trading in the shares of public companies (secondary market). Securities and Exchange Board of India (SEBI) is a body set up by the Parliament in 1992 to protect investors, and to regulate and develop capital market. It started operations in 1988 through an order of Government of India. It is head quartered in Mumbai with regional offices in Delhi, Kolkata, Chennai and Ahmedabad.

Companies who want to raise capital (money) from public have to disclose their full details as per rules made by SEBI. Subsequently, these companies are required to publish information periodically for the benefit of the investors. In case of take-over of a company, the rules made by SEBI have to be followed so that the interest of shareholders of the company is protected.

Buying and selling of shares takes place in the stock exchanges through stock brokers. These entities can function only if they have SEBI license. They are also required to follow rules laid down by SEBI, to protect the investors. Similarly SEBI also regulates other participants in the capital markets like, sub brokers, depositories, depository participants, portfolio managers, merchant bankers, share transfer agents etc.

Mutual funds collect money from public under various schemes and invest in the market on behalf of investors and are also governed by rules formulated by SEBI. Mutual Funds have to disclose details of the scheme, where they will invest money, the fees charged from the investor etc. They also have to make periodic disclosures for the benefit of investors as mandated by SEBI

SEBI also educates investors, facilitates redressal of their grievances and protects them by introducing consumer-friendly disclosure norms from time to time.

For more information please visit www.sebi.gov.in

For future financial education programs on any of the following modules;

1. School children
2. college students
3. Middle income group
4. Executives
5. Retirement planning
6. Home makers
7. Self help group

OR

Any of the following topics of securities markets namely;

1. How to read an offer document
2. How to invest in the primary market through stock exchanges.
3. How to trade in securities/guide to investors.
4. D-mat account and depositories.
5. Mutual funds-do's and Dont's
6. Collective investment schemes- Do's and dont's
7. Buy back of shares, delisting of securities,
8. Takeover regulations
9. Investor grievances-how to resolve it

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