

Mr. Popper's Penguins

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Description:

This lesson addresses the issue of credit, focusing on the importance of wise credit decisions, the risks lenders face, the role of interest or finance charges, and the credit user's responsibility to repay. Students read *Mr. Popper's Penguins* and discuss the use of credit in the story. They play a game that demonstrates the importance of responsible use of credit.

Personal Finance Concepts:

opportunity cost, credit, credit limit, interest or finance charge

Related Subject Areas:

Language arts, geography, science math

Instructional Objectives:

Students will be able to:

- Define opportunity cost as the next best alternative given up when a choice is made.
- Define credit as an agreement to receive goods or services now and pay for them at a later date.
- Analyze the role of risk in making credit decisions.
- Identify the responsibilities of borrowers.

Time Required:

Students will need a week or so to read the book, *Mr. Popper's Penguins*. The lesson, which follows reading the book, will require two class periods of approximately 40 minutes each.

Materials Required:

- Mr. Popper's Penguins*, one book per student
- Transparencies of Visual 1 and Activities 2 and 3
- One die for each group of 4-5 students
- Copy of Activities 1, 3, and 5 for each student
- Copy of Activities 2 and 4 for each group of 4-5 students
- Game pieces (paper clips, pennies, lima beans, macaroni, small chips, etc.)

Procedure: Day 1

1. After students have read the book, *Mr. Popper's Penguins*, point out Antarctica on a world map. Explain that most of the world's penguins live at the South Pole.

Discuss the following:

- a. What is it like at the South Pole? (*extremely cold, windy, snow covered*)
 - b. Why did Mr. Popper have to remodel his home to accommodate Captain Cook? (*It would be too warm for the penguins in an ordinary house.*)
2. Ask students to think about the time that Mr. Popper hired a serviceman to drill air holes in the refrigerator door and what Mr. Popper thought. (*Mr. Popper was sad to pay \$5 for the service man because he thought of "how many beans it would have bought for Mrs. Popper and the children."*)
3. Explain that Mr. Popper had to make a choice - spend \$5 to change the refrigerator or buy beans for his family.
4. Define **opportunity cost** as the next best alternative that is given up when a choice is made. Give some examples of opportunity cost from the story. (*People hired Mr. Popper to either paint or wallpaper. If they chose to paint their kitchens, the opportunity cost would be wallpaper in the kitchen. Mr. Popper could either read a book or listen to the radio for entertainment. If he read a book, his opportunity cost would be listening to the radio. At the end of the book, Mr. Popper had to choose between allowing the penguins to appear in a series of movies or allowing them to go to the North Pole. When he decided to allow them to go to the North Pole, the opportunity cost was that they could not appear in the movies.*)
5. Discuss the following:
 - a. What were the two ways that Mr. Popper could have spent his \$5? (*He could have paid the serviceman or bought beans for the family.*)
 - b. Which did Mr. Popper choose? (*pay the service man*)
 - c. What was his opportunity cost? (*buying beans for the family*)
6. Explain that Mr. Popper made the choice that he thought was best. He spent \$5 to hire a serviceman to fix the refrigerator so Captain Cook would be comfortable. But, when the baby penguins were born, more room was needed for them to be comfortably cool. Discuss the following:
 - a. What did Mr. Popper decide to do so that all the penguins would be cool? (*He had a freezing plant installed in the basement.*)
 - b. Did you think the price would be higher or lower than the \$5 the serviceman charged to change the refrigerator? Why? (*Higher, because it was a bigger job.*)
7. Point out that the author says that "Mr. Popper had practically no money. However, he promised to pay as soon as he could, and the man let him have

- everything on credit."
8. Explain that **credit** is an agreement to receive goods or services now and to pay for them at a later date. Discuss the following:
 - a. What did Mr. Popper receive? (*the freezer plant in the basement*)
 - b. Why did the man agree to let Mr. Popper have everything on credit? (*Mr. Popper promised to pay as soon as he could.*)

 9. Explain that the engineer trusted Mr. Popper to pay him back, but the engineer was taking a risk.
 10. Ask the students to identify the risk the engineer was taking. (*Mr. Popper might not have paid him back.*)
 11. Explain that the engineer trusted Mr. Popper for a number of reasons. He had a good job, owned his own home, had lived there for a long time, and was well known in the community. When people use credit to buy goods or services, they must prove that they are trustworthy. Often credit companies check on information about an applicant's employment and whether he or she owns a house or rents. This information helps the credit company by reducing the risk that at a borrower might default on at a credit agreement (that is, fail to repay the loan).
 12. Discuss the following:
 - a. How do we know that Mr. Popper repaid his creditors? (*The author says that when Mr. Popper earned income from the penguins' performances, the first thing he did "was to pay off the man who had installed the freezing plant in the basement. . . . Next he sent a check to the company who had been shipping the fresh fish all the way from the coast."*)
 - b. Why was Mr. Popper a trustworthy person? (*He repaid his debt as soon as he was able.*)

 13. Remind students that Mr. Popper used credit wisely. He was able to use credit for goods and services even though he did not have enough money to pay for them at the time. He made an agreement with the engineer to pay him when he got the money. Then Mr. Popper fulfilled his agreement by paying the man as soon as he got the first paycheck for the Performing Penguins.
 14. Ask students if they think that the engineer would give Mr. Popper credit again and why. (*Yes, because Mr. Popper paid his debt on time.*)
 15. Explain that when people buy things on credit, they benefit. They can use the thing they buy right away, even though they don't pay for it until some time in the future. Mr. Popper was able to have his basement remodeled immediately; he did not pay for the engineer's services until he earned income from the penguins' performances.
 16. Explain that when people use credit they usually must pay for the convenience. The fee that they pay for the credit is called **interest** or **finance charge**.
 17. Display Visual 1 and point out that if the students bought the bike with cash, it would cost \$129. However, if they used credit to purchase the bike, it would cost \$144 (\$12 per month for 12 months). The finance charge or interest is \$15 (\$144 -

\$129 = \$15).

18. Discuss the following:

- a. Why do store owners charge interest for using credit? (*They are taking a risk, and they are giving consumers the opportunity to use products before they are paid for. Also, the store is lending its money and would like a return.*)
- b. What risks do store owners that offer credit take? (*The consumer might not repay the loan.*)

What do store owners give up when they offer credit (that is, what is their opportunity cost)? (*When store owners give credit, they actually lend money to customers to make their purchases. When they give credit to one customer, they give up the opportunity to use the money they've lent in another way. For example, they could use it to purchase more goods to sell; they could place the money in savings; they could use it to offer credit to another customer.*)

Procedure: Day 2

1. Remind students that they have learned some basics about credit from the book, *Mr. Popper's Penguins*.
2. Explain that students will play a game requiring them to make wise decisions about using credit. Display a visual of Activity 2 and distribute a copy of Activity 1 to each student. Read the directions together.
3. Point out that the students have a credit limit of \$130. A **credit limit** is the maximum amount that a borrower may borrow from a specific lender.
4. Distribute a copy of Activity 3 to each student. Display a visual of Activity 3 and demonstrate how it is completed. For example, if a player's first three rolls of the die were 3, 6, and 1, here is how the tally sheet would look.

Transaction Amount	Amount I Have	Amount I Owe	Item I Bought
+\$30	\$30	0	-----
-\$10	\$20	0	socks
-\$25	\$0	\$5	phone service

5. Divide the class into groups of 4-5 students and distribute a copy of Activity 2, game pieces, a pair of scissors, a die, and a copy of Activity 4 to each group. Tell students to cut out the Credit Check Cards, shuffle them, and place them face down in the appropriate rectangle on the game board.
6. Allow students time to play the game, checking to see whether they are completing the

tally sheets accurately. After each team has declared a winner, discuss the following:

- a. What was your credit limit in the game? (\$130)
 - b. Why do stores usually set at a credit limit? (*to reduce their risk*)
 - c. What are the game consequences for going over your credit limit? (\$10 fee)
 - d. How much was the interest or finance charge on the cap? (\$5) the jeans? (\$10) the socks? (\$2) the shoes? (\$15) the shirt? (\$7)
 - e. Why do lenders charge interest for credit? (*Lenders could choose to save the money and earn interest on it; therefore, they expect to earn a similar return on their money when they lend it.*)
 - f. What is the benefit in the game of buying on credit? (*You can own what you want right away. You don't have to wait until you have the money to afford it.*)
 - g. What is the opportunity cost in the game of buying an item with cash? (*another item that you could buy in the future with the money plus the interest*)
7. Remind students that Mr. Popper was a responsible user of credit because he paid his debts as soon as he could. Point out that students were responsible users of credit in the game, paying for their clothes as soon as they had the money.
 8. Remind students that using credit has benefits - people can buy goods and services now instead of waiting. But there's an opportunity cost for using credit - the other thing that could be bought in the future with the money and the interest or finance charge.
 9. Finally, remind students that producers take at a risk when they offer credit to consumers. The consumers might not pay for the goods or services. On the other hand, consumers must be responsible and pay for the use of credit.

Closure:

1. Distribute catalogs from a local toy store. Ask each student to cut out a picture of a toy with a price of approximately \$50. Have students glue their pictures near the top of a sheet of notebook paper and write these opening sentences below the picture: "I'd like to have this toy, but I don't have enough money. I must buy it on credit. If I buy it on credit . . ."

Have students complete a paragraph that:

2. identifies their opportunity cost
3. describe the risk the store owner is taking
4. describes the risk they are taking
5. Assign groups of students to design posters that identify the responsibilities of borrowers. They should use colored markers to illustrate their posters.

Assessment:

Have students complete Activity 6, *Assessment Activities*.

Answers follow.

(Situation 1)

Benefit: Jamal's mom will have the outfit to enjoy in time for her birthday.

Opportunity cost: Something else Jamal would like to spend the money for in the future when he must repay.

Risks: The store owner can't be sure that Jamal will repay.

Responsibilities: Jamal must pay the store the money he owes.

(Situation 2)

Benefit: Guadalupe will have the camera to use right away.

Opportunity cost: Something else Guadalupe would like to spend the money for.

Risks: The store owner can't be sure that Guadalupe will repay.

Responsibilities: Guadalupe must pay the store owner the money she owes.

(Situation 3)

Benefit: Seth will be able to enjoy CDS right now instead of waiting.

Opportunity cost: Something else Seth would like to spend the money for.

Risks: The store owner can't be sure that Seth will pay what he owes.

Responsibilities: Seth has to pay for the CD player on time.

(Situation 4)

Benefit: Dr. Porada's clinic will have more business with the new X-Ray machine.

Opportunity cost: something else that the clinic could buy with the money.

Risks: The X-Ray company can't be sure that the clinic will be able to repay on time.

Responsibilities: Dr. Porada and the clinic must pay what they owe on time.

(Situation 5)

Benefit: The students will benefit immediately from using the new equipment.

Opportunity cost: Some other school supplies that could be bought with the money.

Risks: The company can't be sure that the PTO will pay what is owed.

Responsibilities: The school PTO must pay what it owes before the deadline.

(Situation 6)

Benefit: The Nguyen family will enjoy a vacation now.

Opportunity cost: They must give up something else that they could be doing now.

Risks: The travel company doesn't know for sure if the family will pay on time.

Responsibilities: The family must pay for the trip when it returns.

Extension:

1. Ask students to check their local newspapers for advertisements that contain information about credit terms, such as ads for automobiles, furniture, electronic equipment, carpeting, appliances. Have them show their ads to the class, identifying the length of the credit agreement, the amount of each monthly payment (if given), and the total cost of the item, including all finance charges. After their presentations, display the ads on a bulletin board with the title: "How'd You Like to Buy Some of These?"
2. Have students role-play buyers and sellers who are negotiating credit agreements. Make sure they talk about opportunity cost, risk, and responsibility.

Mr. Popper's Penguins Activity 1 Directions

Object of the Game:

To buy an outfit (cap, shirt, jeans, socks, shoes) and have \$100 in cash.

Directions:

1. Cut out the "Credit Check Cards" on the lines. Shuffle them and place them face down on the rectangle at the top of the game board.
2. Roll the die. The highest number goes first, then play proceeds counterclockwise.
3. Place game pieces on the square marked START. Receive no money.
4. When you stop on a square, follow the directions and fill in your tally sheet under Transaction Amount (Column A). (If you spend money, use a minus sign (\$10). If you earn money, use a plus sign (+\$10).
5. If you buy something, list it under Item I Bought (Column D).
6. Complete the Amount I Have (Column B) and the Amount I Owe (Column C) columns on your tally sheet according to your teacher's directions.
7. If you land on a "Buy" square, you may choose to buy that item. If you have enough money, you pay the cash amount. If you don't have enough money, you can still buy it, but you must pay the credit amount.
8. You should never owe more than \$130. If you go over the \$130 limit, you must pay a \$10 fee when you get some money.
9. If you land on a "Wild Card" square, you can buy any item at its regular cash or credit price.
10. Each time you buy a piece of clothing, circle the item at the bottom of your tally sheet.
11. If you land on a "Bonus" square, roll the die and multiply the number on the die times \$10. Add that amount to your money.
12. If you land on a "Paycheck" square, add \$50 to your money.
13. If you land on the "Phone Bill" or "Electric Bill" squares, you must pay the bill immediately. If you do not have enough money, you must pay as much as you have, and you must pay the rest as soon as you can. On your tally sheet, write "Phone" or "Electric" and the amount in the "Amount I Owe" column.
14. If you land on a "Credit Check" square, pick the top "Credit Check Card" and follow the directions on it. Place used cards, face up, on the game board. If all cards have been used, reshuffle and replace them in the top rectangle.
15. If you land on the START square, you get \$50. Add it to your money.
16. Continue playing until one player has a complete outfit AND \$100.

Mr. Popper's Penguins Activity 2: Board Game

Pick a CREDIT CHECK	BONUS: EARN \$10 TIMES THE ROLL OF THE DIE	WILD CARD BUY ANYTHING	RECEIVE PAYCHECK \$50	Pick a CREDIT CHECK
BUY SHIRT CASH \$35 CREDIT \$42	CREDIT CHECK CARDS FACE DOWN			PHONE BILL DUE \$25
RECEIVE PAYCHECK \$50				BUY SOCKS CASH \$10 CREDIT \$12
Pick a CREDIT CHECK WILD CARD	CREDIT CHECK DISCARDS FACE UP			Pick a CREDIT CHECK WILD CARD
BUY ANYTHING				BUY ANYTHING
ELECTRIC BILL DUE \$40	<u>Credit Check</u> A Game of Responsible Credit			RECEIVE PAYCHECK \$50
BUY SHOES CASH \$100 CREDIT \$115	Remember: Pay as soon as you can. Your Credit Limit is \$130. If you go over the \$130 limit, you must pay a fee of \$10. You pay more if you use credit because you pay an interest charge.			BUY JEANS CASH \$60 CREDIT \$70
Get \$50 for landing here START ---->	RECEIVE PAYCHECK \$50	BUY A CAP CASH \$20 CREDIT \$25	BONUS: EARN \$10 TIMES THE ROLL OF THE DIE	Pick a CREDIT CHECK

Mr. Popper's Penguins
Activity 4: Credit Check Cards

<p>You forgot to pay your electric bill.</p> <p style="text-align: center;">Pay \$10 late fee.</p>	<p>You missed a payment on your new bike.</p> <p style="text-align: center;">Pay \$5 fee.</p>
<p>You paid your bills on time.</p> <p style="text-align: center;">Way to go!</p>	<p>You paid off your credit card bill.</p> <p style="text-align: center;">Nice Job!</p>
<p>You made your own lunch instead of buying pizza.</p> <p>You saved \$2 (add to your money).</p>	<p>You made a deposit into your savings account.</p> <p style="text-align: center;">Earn \$5 in interest.</p>
<p>You paid off your credit bill ahead of time.</p> <p style="text-align: center;">Earn \$10 rebate.</p>	<p>You did not repay your teacher the money you borrowed.</p> <p style="text-align: center;">Pay \$4 late fee.</p>
<p>You borrowed money from your friend and did not pay it back.</p> <p style="text-align: center;">Pay \$2 penalty.</p>	<p>You bought the toy that was on sale.</p> <p>You saved \$5 (add to your money).</p>
<p>You couldn't go on the field trip because you spent the money on baseball cards.</p> <p style="text-align: center;">Pay \$3 penalty.</p>	<p>You did not put any money in your savings this month.</p> <p style="text-align: center;">Pay \$5 penalty.</p>

Mr. Popper's Penguins
Activity 5: Assessment Activities

Name _____

Read each situation and identify the benefit, opportunity cost, risks and responsibilities.

1. Jamal wants to buy his mom an outfit for her birthday. The suit, shoes, purse, and jewelry will cost about \$200. Jamal only has \$100 saved, so he decides to buy the outfit on credit.

Benefit:

Opportunity cost:

Risks:

Responsibilities:

2. Guadalupe needs a video camera for her new job. The one she wants costs \$499, but she only has \$200. She'll have to use credit.

Benefit:

Opportunity cost:

Risks:

Responsibilities:

3. Seth is saving for a new CD player. He has \$50, and the one he likes is on sale right now for \$129. To get the sale price, he must buy it before Saturday. He decides to buy it on credit.

Benefit:

Opportunity cost:

Risks:

Responsibilities:

4. Dr. Porada would like to buy a new X-ray machine for her clinic. It costs \$5000, and the clinic has only \$3000 in the budget at this time. A new machine will probably mean more business, so Dr. Porada thinks it would be a good idea to buy it as soon as possible, so she must use credit.

Benefit:

Opportunity cost:

Risks:

Responsibilities:

5. The teachers at Amelia Earhart School want to buy some new video equipment to use at school performances. The cost, \$2000, is more than the PTO can afford right now. The school board suggests that they use credit.

Benefit:

Opportunity cost:

Risks:

Responsibilities:

6. The Nguyen family wants to take a vacation to California. Mr. Nguyen just got a new job and a big raise, but he does not have enough money saved to afford the trip. If they don't go now, it will be a whole year before he can use his vacation time again. So they decide to use credit to pay for the \$4000 trip.

Benefit:

Opportunity cost:

Risks:

Responsibilities:

**Mr. Popper's Penguins
Visual 1: The Cost of Credit**



ASTRO-BIKE! THIS WEEK ONLY! \$129

(CREDIT AVAILABLE: \$12 per month for 1 year)

Cost of the bike if you pay cash _____

Cost of the bike if you use credit _____

Interest or finance charge _____