



GEORGIA

PEACH STATE PATHWAYS

Career, Technical, & Agricultural Education

BUSINESS & COMPUTER SCIENCE

PATHWAY: Financial Management - Accounting

COURSE: Principles of Accounting I

UNIT 4: Financial Statements



INTRODUCTION

Annotation:

This unit includes lessons on reading, understanding and analyzing information presented on financial statements. Students will learn about GAAP, the balance sheet, the income statement, the stockholders equity statements and how the information on these statements is related. The students will analyze the data and conclude what the information says about the financial position of the company. The student will be able to defend his or her opinion about the financial position of the company.

Grade(s):

<input type="checkbox"/>	9 th
<input checked="" type="checkbox"/>	10 th
<input checked="" type="checkbox"/>	11 th
<input checked="" type="checkbox"/>	12 th

Time: Twelve 50 minute periods.

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Additional Author(s): Dr. Marilyn K. Skinner

Students with Disabilities:

For students with disabilities, the instructor should refer to the student's IEP to be sure that the accommodations specified are being provided. Instructors should also familiarize themselves with the provisions of Behavior Intervention Plans that may be part of a student's IEP. Frequent consultation with a student's special education instructor will be beneficial in providing appropriate differentiation.



FOCUS STANDARDS

GPS Focus Standards:

BCS-PAI-5. Students will use Generally Accepted Accounting Principles (GAAP) to determine the value of assets.

- a. Define and identify current and long-term assets and explain their impact on financial statements.
- b. Identify cash control techniques.
- c. Establish and maintain petty cash and change accounts.
- d. Examine the benefits of electronic fund transfers, ATM transactions, and uses of a debit card.
- e. Create and maintain the accounts receivable subsidiary ledger and account for credit card sales and apply appropriate accounting techniques for uncollectible accounts.
- f. Establish and maintain accounts for receivables.
- g. Calculate sales and purchases discounts.
- h. Calculate depreciation and apply appropriate accounting concepts and techniques for acquisition, depreciation, and disposal of property, plant, and equipment.
- i. Reconcile bank statements.
- j. Prepare, analyze, and maintain accounting records for short- and long-term assets using spreadsheet and/or accounting software.

BCS-PAI-9. Students will interpret and analyze financial statements.

- a. Explain how generally accepted accounting principles provide guidance and structure for preparing financial statements.
- b. Prepare and analyze the income statement and balance sheet of a business using vertical analysis.
- c. Prepare and analyze a statement of stockholders' equity.
- d. Evaluate the impact of changes in operating procedures, accounting methods, and estimates on the financial statements and ratios using spreadsheet and/or accounting software.
- e. Prepare charts and graphs useful in analyzing the financial condition of the business using a spreadsheet and/or accounting software.
- f. Apply the revenue realization and matching principles to income statements for service and merchandising businesses.
- g. Determine the cost of goods sold and gross profit for a merchandising business.
- h. Prepare an income statement for a merchandising business.

GPS Academic Standards:

ELA10RC3. The student acquires new vocabulary in each content area and uses it correctly.

ELA10C1. The student demonstrates understanding and control of the rules of the English language, realizing that usage involves the appropriate application of conventions and grammar in both written and spoken formats.

ELA10SLV1. The student participates in student-to-teacher, student-to-student, and group verbal interactions.

MM2P1. Students will solve problems (using appropriate technology).

MM2P4. Students will make connections among mathematical ideas and to other disciplines.

National / Local Standards / Industry / ISTE:

Accounting III: Prepare, interpret, and analyze financial statements using manual and computerized systems for service, merchandising, and manufacturing businesses.



UNDERSTANDINGS & GOALS

Enduring Understandings:

- The student should walk away from this unit understanding that the financial health of a company can be observed by evaluating and analyzing the company's financial statements.
- The student should understand that there is a governing body that oversees the preparation and presentation of financial statements so that all financial statements can be fairly compared.

Essential Questions:

- How do the multi-step income statement and the classified balance sheet give us a clearer picture of the financial status of an enterprise?
- How are irregular items reported on the multi-step income statement?
- How does vertical analysis create common size financial statements?

Knowledge from this Unit:

Students will know:

- The difference between a single step and multi-step income statements
- The parts of a classified balance sheet
- Why using vertical analysis is a better comparison than raw numbers
- How to identify irregular items on the income statement

Skills from this Unit:

Students will be able to

- How to create a multi-step income statement
- How to create a classified balance sheet
- How to perform a vertical analysis



ASSESSMENT(S)

Assessment Method Type:

- ___ Pre-test
- ___ Objective assessment - multiple-choice, true- false, etc.
- ___ Quizzes/Tests
- ___ Unit test

- ☒ Group project
- ☒ Individual project
- ☐ Self-assessment - May include practice quizzes, games, simulations, checklists, etc.
 - ☐ Self-check rubrics
 - ☐ Self-check during writing/planning process
 - ☐ Journal reflections on concepts, personal experiences and impact on one's life
 - ☐ Reflect on evaluations of work from teachers, business partners, and competition judges
 - ☐ Academic prompts
 - ☐ Practice quizzes/tests
- ☐ Subjective assessment/Informal observations
 - ☐ Essay tests
 - ☐ Observe students working with partners
 - ☐ Observe students role playing
- ☐ Peer-assessment
 - ☐ Peer editing & commentary of products/projects/presentations using rubrics
 - ☐ Peer editing and/or critiquing
- ☐ Dialogue and Discussion
 - ☐ Student/teacher conferences
 - ☐ Partner and small group discussions
 - ☐ Whole group discussions
 - ☐ Interaction with/feedback from community members/speakers and business partners
- ☐ Constructed Responses
 - ☐ Chart good reading/writing/listening/speaking habits
 - ☐ Application of skills to real-life situations/scenarios
- ☐ Post-test

Assessment(s) Title: Paula's Passions

Assessment(s) Description/Directions:

Paula's Passions tests students understanding of the inter-relationship of the financial statements.

Attachments for Assessment(s):

Paula's Passions
Paula's Passions Key



LEARNING EXPERIENCES

Sequence of Instruction

Lesson 1

- **BCS-PAI-5.** Students will use Generally Accepted Accounting Principles (GAAP) to determine the value of assets.
- **Essential Question:** How are assets treated in the accounting records?

- **Define Vocabulary.**
 - **Cost of Goods Sold** - the total cost to the business of the goods sold during an accounting period
 - **Gross Profit** - the net sales minus the cost of goods and services sold
 - **Net Sales** - gross sales reduced by customer discounts, returns, freight out, and allowances
- **Introduce Lesson.**
 - Review the simple balance sheet and income statement with students. Introduce them to the Classified Balance sheet. Demonstrate how to construct a multi step income statement including the calculation of cost of goods sold for a merchandising company.
- **Assessment Activity-** Have students complete the Multi-Step Income Statement Activity and the Classified Balance Sheet Activity.

Attachments for Learning Experiences:

Multi Step Income Statement
Classified Balance Sheet

Lesson 2

- **BCS-PAI-5.** Students will use Generally Accepted Accounting Principles (GAAP) to determine the value of assets.
- **Essential Question:** How are assets treated in the accounting records?
- **Define Vocabulary:**
 - **Change in Accounting Estimate** – a change in an estimate such as years of useful life
 - **Change in Accounting Method** - A change from one method to another, which usually requires prior approval from the IRS
 - **Discontinued Operations** - Portion of a business that is planned to be or is discontinued
 - **Extraordinary Items**- are both unusual (abnormal) and infrequent, for example, unexpected nature disaster, expropriation, prohibitions under new regulations
- **Introduce Lesson.**
 - Use the PowerPoint to introduce the idea of irregular activities (those that don't happen regularly and whose inclusion in regular operating income would be misleading). Remind students that certain rules (GAAP) must be followed in constructing the financial statements so that they can be compared with other financial statements.
- **Assessment Activity** – Have students complete the Annual Report Scavenger Hunt. Students should look for a company that has irregular items in its Income Statement.

Attachments for Learning Experiences:

Reporting Irregular Items Power Point
Annual Report Scavenger Hunt

Lesson 3

- **BCS-PAI-9.** Students will interpret and analyze financial statements.
- **Essential Question:** How does vertical analysis create common size financial statements?
- **Define Vocabulary:**
 - **Vertical Analysis** - The presentation of a company's financial statements in common-size form
 - **Common Size Income Statement** – all numbers in the income statement have been divided by net sales resulting in reporting each number as a percentage of net sales.
 - **Common Size Balance Sheet** – all numbers in the balance sheet have been divided by total assets resulting in reporting each number in the balance sheet as a percentage of total assets.
- **Introduce Lesson.**
 - Explain the process of vertical analysis to the students. In the income statement everything is divided by net sales and in the balance sheet everything is divided by total assets. Explain that by converting raw numbers to percentages they become more comparable
- **Assessment Activity** – Have students complete the Annual Report Project, including vertical analysis.

Attachments for Learning Experiences:

Annual Report Project

Notes & Reflections:



CULMINATING PERFORMANCE TASK (Optional)

Culminating Unit Performance Task Title:

Corporate Financial Condition Challenge

Culminating Unit Performance Task Description/Directions/Differentiated Instruction:

Students will be formed into teams. Each team will complete their challenge and present their findings to the class. Findings may be presented through a PowerPoint or Poster but all team members must participate in the presentation

Attachments for Culminating Performance Task:

Corporate Financial Condition Challenge
Corporation List
Obtaining an Annual Report



UNIT RESOURCES

Web Resources:

www.collegecram.com

www.cliffnotes.com

Attachment(s):

Company Financial Comparison Project

Financial Statements Quiz

Materials & Equipment: Computer, Printer, LCD Projector, Pencil, Paper

What 21st Century Technology was used in this unit:

<input checked="" type="checkbox"/>	Slide Show Software
<input type="checkbox"/>	Interactive Whiteboard
<input type="checkbox"/>	Student Response System
<input type="checkbox"/>	Web Design Software
<input type="checkbox"/>	Animation Software
<input type="checkbox"/>	Email

<input checked="" type="checkbox"/>	Graphing Software
<input checked="" type="checkbox"/>	Calculator
<input type="checkbox"/>	Desktop Publishing
<input type="checkbox"/>	Blog
<input type="checkbox"/>	Wiki
<input type="checkbox"/>	Website

<input type="checkbox"/>	Audio File(s)
<input type="checkbox"/>	Graphic Organizer
<input type="checkbox"/>	Image File(s)
<input type="checkbox"/>	Video
<input type="checkbox"/>	Electronic Game or Puzzle Maker