



GEORGIA

PEACH STATE PATHWAYS

Career, Technical, & Agricultural Education

BUSINESS & COMPUTER SCIENCE

PATHWAY: Financial Management - Accounting

COURSE: Principles of Accounting II

UNIT 4: Owner's Equity



INTRODUCTION

Annotation: This unit will cover the owner's equity section of a corporate balance sheet. Topics will include the two forms of owner's equity, common and preferred stock, paid-in capital and dividends.

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: 15 hours

Author: Dr. Marilyn K. Skinner

Additional Author(s):

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-PAII-4. Students will use Generally Accepted Accounting Principles (GAAP) to determine the value of owners' equity.

- a. Explain the purpose of the following capital accounts for a corporation: common stock, preferred stock, paid-in capital, retained earnings, and dividends.
- b. Analyze and record investments by stockholders and the declaration and payment of dividends for a corporation.
- c. Differentiate between stockholders' equity and retained earnings.
- d. Use manual and computerized accounting systems for stockholders' equity.

GPS Academic Standards:

ELA11RC3. The student acquires new vocabulary in each content area and uses it correctly.

ELA11C1. 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.

ELA11SLV1. The student participates in student-to-teacher, student-to-student, and group verbal interactions.

MM3P1. Students will solve problems (using appropriate technology).

MM3P4. Students will make connections among mathematical ideas and to other disciplines.

National / Local Standards / Industry / ISTE:

Accounting II: Apply generally accepted accounting principles to determine the value of assets, liabilities, and owner's equity.



UNDERSTANDINGS & GOALS

Enduring Understandings:

- A corporation is considered a “legal” person with all of the rights and responsibilities of an individual to sue and be sued, enter into contracts, hold assets.
- Stock represents ownership in the corporation.

Essential Questions:

- How are corporations formed?
- How does the owner’s equity section of a corporate balance sheet reflect the ownership of the corporation?
- How are the earnings of the corporation recorded and distributed?

Knowledge from this Unit:

The student will know:

- The difference between invested capital (stock) and earned capital (retained earnings)
- The difference between preferred stock and common stock
- Why the stock market is called a secondary market
- How people who invest in stock receive a return
- The process of declaring and paying dividends

Skills from this Unit:

The student will be able to:

- Record the sale of common stock at par, and above par
- Record the sale of preferred stock
- Record retained earnings
- Record the declaration and payment of dividends



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:

Assessment(s) Description/Directions:

Attachments for Assessment(s):



LEARNING EXPERIENCES

Sequence of Instruction

BCS-PAII-4

Lesson 1 - How are corporations formed?

- **Define Vocabulary**
 - Articles of Incorporation – application to the state for incorporation in that state
 - Board of Directors – Govern the corporation and are responsible for the affairs of the corporation
 - Charter – Articles of Incorporation that have been approved by the state
 - Corporation – an artificial legal entity that has rights and responsibilities of its own
 - Double taxation – corporations are taxed on their earnings and then stockholders are taxed again when earnings are distributed
 - Stock – the shares of ownership in a corporation
 - Stock certificate – document that shows how many shares of a corporation a stockholder owns
 - Stockholders – the owners of a corporation
- **Introduce stock using the text.** Review the advantages and disadvantages of the corporate form of ownership. Discuss the advantages and disadvantages of corporations as a form of business. Discuss how corporations are formed using the Forms of Business Ownership PowerPoint
- **Supplemental Activities**
 - Use a Pro/Con graphic organizer to list the advantages and disadvantages of a corporation
 - Complete the Forms of Business Ownership Activity.
- **Extension Activity** – Complete the How to Incorporate in the State of Georgia Activity. Activity product may take the form of a memo, a poster, or a PowerPoint presentation

Lesson 2 - How does the owner's equity section of a corporate balance sheet reflect the ownership of the corporation?

- **Define Vocabulary**
 - Authorized capital stock – the maximum number of shares of stock a corporation can sell as stated in the charter
 - Common stock – the first, and in some cases, the only kind of stock issued by corporation
 - Cumulative – when dividends are paid, any in arrears must be paid on this preferred stock.
 - Issued shares – those shares sold to stockholders
 - Legal Capital – amount of assets corporation is required by the state to keep in relation to the stock issued.

- **Non Cumulative** – no dividends in arrears is paid
 - **No-par stock** – no value is printed on the certificate
 - **Outstanding shares** – those shares sold to stockholders and not repurchased by the corporation
 - **Paid-in-capital-in-excess-of-par** – All money amounts paid over the par value of the stock is recorded in this account.
 - **Par-value stock** – a specific value is printed on the stock certificate
 - **Preferred Stock** – has preference over common stock as to dividends and liquidation value
 - **Stated value** – value assigned to no-par value stock
 - **Stock Subscriptions** – purchase of stock on an installment basis
 - **Stockholder's ledger** – subsidiary ledger where the owners of each share of stock is recorded
 - **Treasury Stock** – Stock previously sold by the corporation and subsequently repurchased
- **Introduce the lesson using the text.** Help students to understand the difference between authorized shares, outstanding shares, and issued shares. Explain that the primary market for stock is the initial public offering (IPO) in which the company sells the stock through an underwriter to the public. After that stocks are traded in the secondary stock market (NYSE, AMEX, and NASDAQ). Transactions in the secondary market are NOT recorded in the company's books. Explain to students the difference between common and preferred stock. Demonstrate how stock is entered on the books at par and at excess of par. Demonstrate this for stock issued for cash and non cash. Demonstrate the issue of No Par and Stated Value stock. Explain that buying stock using a stock subscription is similar to putting it on layaway. Demonstrates the entries for stock subscriptions and stated value stock. Discuss Treasury Stock including why a company would repurchase its own stock and the entries related to Treasury stock.
 - **Supplemental Activities**
 - Common Stock Activity – leads students through the steps in buying stock
 - Stock vs. Bonds (if not used in the Bond Unit) – Weighs the pros and cons of selling stock to raise more capital
 - **Extension Activity**
 - Stockholder Newsletter Activity – Students use information off the web to create a stockholder newsletter

Lesson 3 - How are the earnings of the corporation recorded and distributed?

- **Define Vocabulary**
 - **Appropriating Retained Earnings** – setting aside retained earnings for a specific purpose.
 - **Cash dividend** – distribution of earnings made in cash
 - **Dividends** - earnings of the corporation distributed to stockholders
 - **Retained Earnings** – earnings of the corporation not distributed to stockholders
 - **Stock dividend** – distribution of earnings made in additional shares of corporation stock

- **Stock split** – reduction in the par value of stock and the issuance of a proportionate number of additional shares
- **Introduce Dividends and Retained Earnings** – Using the text, explain that the earnings of corporations are distributed to the stockholders through dividends. Discuss the three dates related to dividends:
 1. Date of Declaration – dividends are declared by the Board of Directors (demonstrate entry made)
 2. Date of Record – Stockholders of record noted to receive the dividends (No entry)
 3. Date of Payment – dividend is paid (demonstrate entry made)

Discuss cash dividends and stock dividends. Explain the difference between a stock dividend and a stock split. Demonstrate the appropriate entries for each. Discuss retained earnings. Explain how retained earnings might be appropriated for various reasons.
- **Supplemental Activity:**
 - Stock Market Lesson Plan (excellent activities)
<http://ecedweb.unomaha.edu/lessons/mark1.htm>
- **Extension Activity:**
 - If We Had Known – Wal-Mart and stock splits

Attachments for Learning Experiences:

Forms of Business Ownership PowerPoint
 Forms of Business Ownership Activity
 How to Incorporate in Georgia Project
 Incorporating in Georgia Project Rubric
 Common Stock Activity
 If Only We Had Known Activity
 If Only We Had Known Key (PDF)
 Stock vs. Bonds
 Pro Con Scale
 Stockholder Newsletter Activity

Notes & Reflections:

There is a lot of information out there for stocks. I strongly suggest that teachers enter their students in the Stock Market Game (register at www.gcee.org). Registration will give you access to a multitude of learning activities through <http://www.stockmarketgame.org>. This is an excellent long- term team activity.



CULMINATING PERFORMANCE TASK (Optional)

Culminating Unit Performance Task Title:

Most textbooks provide a mini practice set for stocks and retained earnings.

Culminating Unit Performance Task Description/Directions/Differentiated Instruction:

Attachments for Culminating Performance Task:



UNIT RESOURCES

Web Resources:

The Corporation Video

http://gtm-media.discoveryeducation.com/videos/Fundamental%20Economic%20concepts/sec8515_300k.asf

The Stock Market Video

http://gtm-media.discoveryeducation.com/videos/Fundamental%20Economic%20concepts/sec8516_300k.asf

Stock Market Game

www.gcee.org

Stock Market Webquest

<http://trackstar.4teachers.org/trackstar/ts/viewTrack.do?number=287315>

How dividends work for Investors

<http://www.investopedia.com/articles/02/010902.asp>

Dividends to Trust Video

<http://www.thestreet.com/video/#21940805001>

Attachment(s):

- Stock Market Web Quest
- Preparing an Income Statement
- Scavenger Hunt
- Stocks Word Search

Taking Stock

Materials & Equipment:

Computer, calculator

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

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