



GEORGIA

PEACH STATE PATHWAYS

Career, Technical, & Agricultural Education

BUSINESS & COMPUTER SCIENCE

PATHWAY: Financial Management - Accounting

COURSE: Principles of Accounting II

UNIT 6: Partnerships and Year –End Entries



INTRODUCTION

Annotation:

This unit addresses the issues specific to accounting for partnerships including formation, dissolution, and liquidation. In addition the unit looks at the differences in the year end closing entries for sole proprietorship, partnership, and corporation.

Grade(s):

	9 th
x	10 th
x	11 th
x	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-6. Students will create, interpret, and analyze end-of-fiscal-period activities and financial statements.

- a. Create financial statements for partnerships.
- c. Generate all necessary year-end journal entries.
- g. Compare and contrast financial statements of partnerships using a variety of sources.

BCS-PAII-7. Students will apply appropriate accounting principles to various forms of ownership.

- a. Apply appropriate accounting techniques for the formation, allocation and distribution of earnings and dissolution of corporations and partnerships.

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



UNDERSTANDINGS & GOALS

Enduring Understandings:

- While partnerships can be formed with no written agreement, a formal written agreement is preferable so that all parties involved are clear on their duties, responsibilities, and rewards.
- Any general partner is an agent of the partnership and can bind the partnership to contracts for services and for debt.
- In preparing financial statements, the only real difference between those for a sole proprietorship, a partnership, or a corporation appears in the owner's equity section.

Essential Questions:

- How are partnerships formed and dissolved and how are the earnings distributed?
- How are the closing entries and the financial statements different for the three forms of business ownership?

Knowledge from this Unit:

The student will know:

- A partnership is distinguished by these characteristics: co-ownership of property, limited life, unlimited liability, and mutual agency.
- Partners have individual owner's equity and withdrawal accounts in the accounting records.
- The life of a partnership is limited. If one partner dies or withdraws, the partnership is dissolved.
- Partners divide profits and losses according to the method spelled out in the partnership agreement.
- Closing entries for all three forms of business are similar; only the capital accounts are different.

Skills from this Unit:

The student will know:

- How to record the partner's investments in the partnership
- How to record a partner's withdrawals
- How to record the admission of a new partner
- How to record the withdrawal of a partner
- How to record the liquidation of a partnership
- How to record the distribution of gains and losses for a partnership
- How to record the closing entries for a partnership, a sole proprietorship, and a corporation
- How to compile a Statement of Owner's Equity for a sole proprietorship
- How to compile a Statement of Partnership Equity
- How to compile a Statement of Retained Earnings



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: **Text or teacher prepared assessment**

Assessment(s) Description/Directions:

Attachments for Assessment(s):



LEARNING EXPERIENCES

Sequence of Instruction

BCS-PAII-7.

Lesson 1 - How are partnerships formed and dissolved and how are the earnings distributed?

- **Define Vocabulary**
 - **Dissolution** – a change in partners involves the original partnership being dissolved and a new partnership being created
 - **Fractional share basis** – assigning each partner a stated fraction of the total profit or loss.
 - **Interest Allowance** – method of distributing net income based on each partner’s capital contribution.
 - **Liquidation** – the selling off of the assets of a business
 - **Mutual agency** – the ability for any partner to act as an agent of the partnership and bind the partnership to contracts
 - **Partnership** – an association of two or more persons to operate a business for profit
 - **Partnership Agreement** – document that defines the terms under which a partnership will operate
 - **Ratio of Capital Investment basis** – assigning each partner profit or loss based on their capital investment.
 - **Realization** – recording of loss or gains incurred during the liquidation process on the sale of non-cash assets
 - **Salary Allowance** – allocating income as if the partner were paid a salary
- **Introduce the Unit** – Using the text, introduce the students to the concept of a partnership. Have the students use the Pro/Con graphic organizer to list the advantages and disadvantages of partnerships. Allow students to compare the advantages and disadvantages of partnerships with those of a sole proprietorship and a corporation. Review the items that need to appear in a partnership agreement. Demonstrate how to record both cash and non-cash initial investments into the accounting records of the partnership. Next demonstrate how to record additional investments and how to record withdrawals. Discuss with the students that both a new partner’s entry into the partnership and a partner’s leaving the partnership bring about the dissolution of the partnership. In either of these cases a new partnership must be formed. Discuss the reporting requirements and associated entries for the admission of a new partner, the withdrawal of a partner, and the death of a partner. Discuss how and why a partnership may be liquidated. Demonstrate the proper recording of both a gain and a loss on the sale of assets. Finally discuss the different methods for allocating profit (net income) and loss to the partners. Demonstrate the entries for those transactions.
- **Supplemental Activity** – have students complete the Partnership Crossword Puzzle.
- **Extension Activity** – Divide the students into teams of two or three and have them complete the “Howdy, Partner” Project which will have them complete a partnership agreement.

- **Assessment Activity** – Use a teacher created test or test from the text resource test bank.

BCS-PAII-6.

Lesson 2 - How are the closing entries and the financial statements different for the three forms of business ownership?

- **Define Vocabulary**
 - **Statement of Changes in Partner's Equity** – Financial Statement that shows the changes in partner's equity for the accounting period for a partnership
 - **Statement of Owner's Equity** – Financial Statement that shows the changes in owner's equity for the accounting period for a sole proprietorship
 - **Statement of Retained Earnings** – Financial Statement that shows the changes in retained earnings for the accounting period for a corporation
- **Introduce the lesson** – Using the text, review the four steps in the closing process for students. Next review the equity accounts for all three forms of business organizations. Remind them that the corporation has two equity accounts: stockholder's equity and retained earnings. Explain that the Dividends account for a corporation can be compared to the withdrawals accounts for a sole proprietorship or partnership. Ask student to suggest how the steps in closing might be worded for a partnership or a corporation. Next review the Statements of Changes in Equity for each of the types of business ownership. Remind the students that the Income Statement and the assets and liabilities on the Balance Sheet are reported the same way no matter what the form of business organization.
- **Supplemental Activity** – Have students complete the Partnership Worksheet and/or the Partnership Word Search

Attachments for Learning Experiences:

Howdy, Partner Project
 Howdy, Partner Rubric
 Partnership Crossword
 Partnership Crossword Key
 Partnership Word Search
 Partnership Word Search Key
 Partnership Worksheet
 Pro/Con Graphic Organizer

Notes & Reflections:

This unit assumes that students have studied both sole proprietorships and corporations prior to this unit.



CULMINATING PERFORMANCE TASK (Optional)

Culminating Unit Performance Task Title:

The Comparing Closing Entries Activity could be used as an assessment.

Culminating Unit Performance Task Description/Directions/Differentiated Instruction:

Students will complete the closing entries for each type of business organization. This could be done as a jigsaw, dividing the class in three equal groups, having each group do one portion of the problem. Once that task is complete, divide the class into groups of three, one from each of the big groups so that each group has a student representing a sole proprietorship, a partnership, and a corporation. Have the small groups compare and contrast the closing entries and the financial statements for each type of business ownership.

Attachments for Culminating Performance Task:

Comparing Closing Entries Activity
Comparing Closing Entries Key



UNIT RESOURCES

Web Resources:

Tutorial

http://homepages.cambrian.ca/tutorial/thetutorialcentre/accounting/partnership_accounting.htm

Readings

http://findarticles.com/p/articles/mi_m4325/is_n7_v35/ai_n25020914/

<http://www.everything.com/partnerships-business/>

<http://www.cliffsnotes.com/WileyCDA/CliffsReviewTopic/Partnership-Accounting.topicArticleId-21248,articleId-21186.html>

<http://basiccollegeaccounting.com/accounting-for-partnership-%E2%80%93-formation-of-partnership-and-capital-account/>

Games

<http://www.quia.com/jg/516678.html>

Online Quiz

http://www.quia.com/cm/65048.html?AP_rand=231175669

Lesson Plan for Financial Statements for a Partnership

<http://www.uen.org/Lessonplan/preview.cgi?LPid=11816>

Attachment(s):

None

Materials & Equipment:

Computer, Calculator, Word Processing Software, Working Papers

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 type="checkbox"/>	Video
<input checked="" type="checkbox"/>	Electronic Game or Puzzle Maker