



# GEORGIA

PEACH STATE PATHWAYS

Career, Technical, & Agricultural Education

## BUSINESS & COMPUTER SCIENCE

**PATHWAY:** Financial Management - Accounting

**COURSE:** Principles of Accounting II

**UNIT 9:** Forms of Business Ownership, Not-for –Profit, The Stock Market



## INTRODUCTION

### Annotation:

This unit looks at how the form of business ownership, not-for-profit status, and the Stock Market affect business and accounting operations.

### Grade(s):

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

**Time:** Seven 50 minute periods.

**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

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### **GPS Focus Standards:**

**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.
- b. Discuss appropriate GAAP for government and not-for-profit entities.
- c. Analyze stock performance and market fluctuations in a market economy.

### **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:**



## UNDERSTANDINGS & GOALS

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### Enduring Understandings:

- The form of business ownership directly impacts the liability of the owners, the tax methods used, and the way ownership is transferred.
- Governmental agencies and Not-for –Profit corporations do not operate with a profit motive. For this reason their focus is to adhere to an appropriated fund budget.
- Price fluctuations of stock in a market economy are not always a reflection of the health of a corporation.

### Essential Questions:

- How does the division of revenue portrayed in the Statement of Owner's Equity reflected in the tax returns prepared for each form of business organization.
- Describe the process of setting up a fund for a government or not for profit and how the fund is tracked.
- Predict the movement of stock prices in the market based on economic news and company performance.

### Knowledge from this Unit:

- Net income for a sole proprietorship increases the owner's capital and is taxed at the owner's tax rate.
- Net income for a partnership is divided among the partners according to the partnership agreement and increases each partner's capital based on their portion. Each partner's portion is taxed at the individual partner's tax rate.
- Net income for corporations is applied to retained earnings. Corporations pay taxes on that income. Stockholders (owners) only pay taxes on earnings if they are distributed to them in the form of dividends.
- Government and not-for-profit organizations follow budgets adopted by the legislature or their board of directors.
- Government and not-for-profit maintain separate sets of books called funds.
- While a company's financial health is often related to the price of its stock, the broader measure of a stock indexes movement up or down depends more on the economic news as a whole.

### Skills from this Unit:

The students will be able to:

- Prepare the Owner's Equity section of a Balance Sheet for a sole proprietorship.
- Prepare the Owner's Equity section of a Balance Sheet for a partnership.
- Prepare the Stockholder's Equity section of a Balance Sheet for a corporation.
- Identify the steps in the budgeting process and how a budget is controlled.
- Describe the working of the secondary market in stock.



# ASSESSMENT(S)

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## 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:** Tax Implications of Business Ownership

## Assessment(s) Description/Directions:

Have students complete the activity individually according to the lesson plan. Use the provided key to check student answers.

## Attachments for Assessment(s):

Tax Implications of Forms of Business Ownership  
Tax Implications of Forms of Business Ownership Key



## LEARNING EXPERIENCES

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### Sequence of Instruction

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

- Apply appropriate accounting techniques for the formation, allocation and distribution of earnings and dissolution of corporations and partnerships.
- Discuss appropriate GAAP for government and not-for-profit entities.
- Analyze stock performance and market fluctuations in a market economy.

**Lesson 1** - How does the division of revenue portrayed in the Statement of Owner's Equity reflected in the tax returns prepared for each form of business organization?

- Define Vocabulary
  - Deductions** – decreases in taxable income allowed by the government
  - Dividends** – distribution of earnings of the corporation as set by the Board of Directors.
  - Flat Tax** – tax rate (percentage of tax) remains the same for all levels of income.
  - Information Return** – A tax return such as a Form 1065 for Partnerships that provides information about the overall earnings or loss of a business so that the income or loss can be distributed for tax purposes among the partners usually on a form K-1.
  - Progressive Tax** – tax rates (percentage of tax) become higher as income gets higher.
  - Retained Earnings** – net income of a corporation that stays with the corporation.
  - Tax Schedule** – a list of the percentage of tax assessed at each income level.
  - Taxable Income** – the amount of earnings subject to income tax after all allowable deductions are taken
- Introduce lesson – The teacher should introduce the information on income tax using the text. A review of the pros and cons of each form of business ownership should be helpful. Remind students how the income or loss from a business is distributed in each type of business ownership (sole proprietorship – net income (loss) adds (deducts) to owner's capital, partnership – net income (loss) divides among the partners, corporation – net income adds to retained earnings and dividends.) Review the Owner's Equity Statements for each type of business form. Explain that the taxing of the earnings works the same way. Show the students the tax forms needed to file for a sole proprietorship (Schedule C which gets filed with a 1040 Individual), a partnership (Form 1065 and K-1), and a corporation (Form 1120 and 1099 Div). Help students to see that income is taxed in the same way it is reported. Show the students the Corporate Tax Schedule and the Individual Tax Schedule and note the differences in the rates. Demonstrate how to calculate tax with each Schedule.
- Assessment Activity – Have students complete the Tax Implications of Business Ownership.
- Extension Activity – Have students debate this statement. "Big Business does not pay enough taxes." Have them work in teams and prepare an argument for each side. Then have the teams alternate pro and con, so they will not know in the beginning which side they will argue. This will help them see both sides of an argument. Also, this is a great preparation strategy for the FBLA Emerging Business Issues competition.

### Attachments for Learning Experiences:

Corporate Tax Rate Schedule  
Tax Rate Schedule  
Tax Implications of Forms of Business Ownership  
Tax Implications of Forms of Business Ownership Key

**Lesson 2** - Describe the process of setting up a fund for a government or not for profit and how the fund is tracked

- Define Vocabulary
  - **Adequate disclosure** – Notes to financial statements disclose additional information to make financial data clear to readers of the reports.
  - **Budget adjustment** – change made in the current budget because of decreased revenue or increased expenses
  - **Budget Summary Report** – compares budget with actual amounts to help control the budget. Many times this is done on a monthly basis.
  - **Budget**-a formal written statement of expected revenues and expenditures.
  - **Deficit** – excess of expenditures over revenues.
  - **Expenditure Projections** – estimates of amounts to be paid out during the budget period.
  - **Fiduciary Fund** – this type of fund is used to keep track of monies contributed to the not-for-profit from outside entities. Fiduciary means trust. Not-for-profits are entrusted with money that they will need to account for. Examples: Grant money from the government, scholarships donated by a wealthy family.
  - **Free balance** – a budget amount that remains to be collected or spent as of a specific date.
  - **Fund** – a set of accounts used to record the transactions of a particular activity. Most not-for-profit organizations tend to have a number of funds.
  - **Fund Accounting** – the accounting system used by governmental and not-for-profit organizations.
  - **General Fund** – the main fund of an entity where most operational income and expenses are reported.
  - **Net Assets** – total assets minus total liabilities
  - **Net assets released from restriction** – donations restricted by the contributor to a particular use. This designation means the funds were used for the purpose designated.
  - **Not-for-Profit organization** –an organization with goals other than earning a profit.
  - **Program services** – distributions of money to fulfill the mission of the organization.
  - **Proprietary Fund** – a fund used for sections of an entity that is operated like a business, either by providing goods and services for those outside of the not-for-profit organization or by providing goods and service to other funds within the not-for-profit. Examples: MARTA provides services to the people of Atlanta and charges them a fee. The county garage may fix both the sheriff cars and the road equipment and charge each group.
  - **Public Support Revenue** – contributions received from individuals, businesses or other organizations
  - **Revenue Projections** – estimates of money to be received.
  - **Self-generated Revenue** – revenue earned from producing goods or providing services.

- **Statement of Activities** – reports the revenue and expenditures as well as the change in the net assets for the period.
- **Statement of Financial Position** – reports the assets, liability, and net asset account balances.
- **Supporting services** – expenses of operating the organization including management and general costs.
- **Surplus** – excess of revenue over expenditures.
- **Introduce the lesson** –Begin the lesson by having students name not-for-profit entities that they know of. Use the text to teach the budgeting process. Explain that governmental budgets are approved by the legislature and not-for-profit budgets are approved by the organization’s board of directors. Explain that Fund Assets –Fund Liabilities = Net Fund Assets. Discuss budget control and how the budget summary report helps by comparing the budget to the actual. Discuss how to prepare the Statement of Activities and the Statement of Financial Position. Describe how all of an entity’s funds are reported in the Comprehensive Annual Financial Report (CAFR).
- **Assessment Activity** – Have students complete the State of Georgia activity. Note that other CAFRs are available online including county and city. Choose one that students will be able to identify with. You may also request they write a report about some of the things they discovered while examining the CAFR.
- **Extension Activity** – Have students form teams and complete the Not-for –Profit Team Activity and present their findings to the class.

#### Attachments for Learning Experiences:

State of Georgia Activity  
 Not-for-Profit Teacher Resource  
 Not-for-Profit Team Project  
 Not-for-Profit Team Project Rubric

**Lesson 3** - Predict the movement of stock prices in the market based on economic news and company performance

- **Define Vocabulary**
  - **Bear Market:** Slang for when the stock market is in a general, prolonged period of falling stock prices. Opposite of a bull market.
  - **Broker:** A person who buys or sells an investment for you [stocks, bonds, commodities, etc.] in exchange for a fee, called a "commission"
  - **Bull Market:** Slang for when the stock market is in a general, prolonged period of rising stock prices. Opposite of a bear market.
  - **Dividend:** A dividend is a portion of a company's earnings that is paid out to shareholders on a quarterly or annual basis. Most dividend policies are set by the current management.
  - **Exchange:** An exchange is a place in which options, futures, and shares in stocks, bonds, indexes, and commodities are traded. The most famous in the United States is the New York Stock Exchange.
  - **Index:** An index is a benchmark which is used as a reference marker to which financial performance is measured and compared against. The Dow Jones Industrial Average and Standard & Poor's 500 are examples.

- **Margin:** A margin account lets a person borrow money from a broker to purchase securities. The difference between the amount of the loan, and the price of the securities, is called the margin.
- **Sector:** A group of stocks that are in the same business [e.g., the "Utilities" sector would include Water and Power & Light companies].
- **Volume:** The number of shares of stock traded during a particular time period.
- **Introduce the lesson** – Use the information at <http://www.investopedia.com/university/stocks/stocks6.asp> to explain how to read the stock pages. You may also use two EconEdLink lessons: NYSE Made Easy (<http://www.econedlink.org/lessons/index.php?lesson=EM292>) and Leading Economic Indicators (<http://www.econedlink.org/lessons/index.php?lesson=EM131>) to help explain how the economic news affects the stock market. Print the article at <http://www.kiplinger.com/basics/archives/2003/03/stock2a.html> have the students read it and discuss how a company's performance affects its stock prices.
- **Assessment Activity** – Have students perform web quest #297560 at <http://trackstar.4teachers.org> (PDF preview provided). This web quest lets students learn about the history of the stock market and its effect on the economy.
- **Extension Activity** – Have students do web quest #324549: Using the Stock Market at <http://trackstar.4teachers.org> (PDF preview provided) to learn more about the stock market.
- **Additional Extension Activity** - Track #159265: STOCKS- Fun Stuff at <http://trackstar.4teachers.org> (PDF preview provided) has several fun activities for students including a Hollywood Stock Market site.

#### Attachments for Learning Experiences:

History of the Stock Market PDF  
 The Stock Market PDF  
 Stock Market Fun Stuff PDF

#### Notes & Reflections:

These lessons are an excellent time to bring in guest speakers including representatives from not-for-profits and financial planners or stock brokers.





## CULMINATING PERFORMANCE TASK (Optional)

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**Culminating Unit Performance Task Title:** Not-for-Profit Project

**Culminating Unit Performance Task Description/Directions/Differentiated Instruction:**

Review the teacher resource document. Pass out assignment sheets to students and go over the rubric. Students may work individually or in groups.

**Attachments for Culminating Performance Task:**

Not-for-Profit Teacher Resource  
Not-for-Profit Team Project  
Not-for-Profit Team Project Rubric



## UNIT RESOURCES

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### Web Resources:

Tax Information: [www.irs.gov](http://www.irs.gov)

Stock Market Info: [www.fool.com](http://www.fool.com)

Investing Money in Plain English: <http://www.commoncraft.com/investing-money> This is a great, short, easy to understand video on investing.

### Attachment(s):

### Materials & Equipment:

Computers, text, printers, paper.

### What 21st Century Technology was used in this unit:

<input type="checkbox"/>	Slide Show Software	<input type="checkbox"/>	Graphing Software	<input type="checkbox"/>	Audio File(s)
<input type="checkbox"/>	Interactive Whiteboard	<input checked="" type="checkbox"/>	Calculator	<input type="checkbox"/>	Graphic Organizer
<input type="checkbox"/>	Student Response System	<input type="checkbox"/>	Desktop Publishing	<input type="checkbox"/>	Image File(s)
<input type="checkbox"/>	Web Design Software	<input type="checkbox"/>	Blog	<input checked="" type="checkbox"/>	Video
<input type="checkbox"/>	Animation Software	<input type="checkbox"/>	Wiki	<input type="checkbox"/>	Electronic Game or Puzzle Maker
<input type="checkbox"/>	Email	<input checked="" type="checkbox"/>	Website		