

BUSINESS & COMPUTER SCIENCE
Accounting I

Unit 7: Financial Statements for a Proprietorship

<p>Essential Understandings</p>	<ul style="list-style-type: none"> ▪ Financial statements (formal documents) are completed by a business in order to make sound business decisions.
<p>Essential Questions</p>	<ul style="list-style-type: none"> ▪ What is a balance sheet? ▪ How is a balance sheet prepared? ▪ Where is the information to prepare the balance sheet? ▪ Why is the accounting equation important when preparing the balance sheet? ▪ What is the heading of the financial statements? ▪ What are the four sections of a balance sheet? ▪ What formula is used to calculate the current balance for capital? ▪ What is the income statement? ▪ Where is the information to prepare the income statement? ▪ What are the four sections of the income statement? ▪ What is the component percentage and how is it calculated? ▪ How is the net income/loss determined?

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Essential Knowledge

- The worksheet is used to obtain the information for completing each financial statement.
- The balance sheet reports information about elements of the accounting equation.
- The balance sheet has four sections: heading, assets, liability, and owner’s equity.
- The heading of a financial statement consists of: name of business, name of statement, date of statement.
- The steps used to prepare a balance sheet are:
 - Write the heading (three lines).
 - Center the title, “Assets”, on the first line of the left column.
 - Write the titles of all asset accounts under the heading.
 - Record the balances of each asset account in the left amount column on the same line as the account title.
 - Center the title, “Liabilities”, in the center of the right column.
 - Write the titles of all liability accounts under the heading.
 - Record the balances of each liability account in the right amount column on the same line as the account title.
 - Single rule under the right amount column.
 - Write the words “Total Liabilities: in the right column on the next blank line.
 - Record the total of the liabilities in the right amount column.
 - Center the title “Owner’s Equity” in the center of the right column.
 - Write the titles of all owner’s equity accounts under the heading.
 - Record the balances of each owner’s equity account in the right amount column on the same line as the account title.
 - Single rule under the right amount column.
 - Single rule under the left amount column on the same line as the right amount column.
 - Write the words “Total Assets” on the next line in the left column and record the amount of total assets in the amount column.
 - Write the words “Total Liabilities” and “Owner’s Equity” on the same line as total assets in the left column and record the amount of total liabilities and owner’s equity in the left amount column.
 - Compare the totals of the two amount columns. If the totals are the same, the balance sheet is in balance (assets = liabilities + owner’s equity).

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<p>Essential Knowledge</p>	<ul style="list-style-type: none"> ▪ The income statement reports financial information for a specific period. ▪ The four sections of the income statement are: heading, revenue, expense, and net income/loss. ▪ The component percentage is the percentage relationship between one financial statement item and the total that includes that item. ▪ The component percentage is located on the income statement ▪ The formula for calculating the percentage of total expense is: <i>total expense divided by total sales = net income/loss component percentage.</i> ▪ The formula for calculating the percentage for net income/loss is: <i>net income divided by total sales = net income/loss component percentage.</i> ▪ The net income/loss on the income statement is determined by finding the difference of the total revenue and total expense.
<p>Vocabulary</p>	<ul style="list-style-type: none"> ▪ <u>Terms:</u> <ul style="list-style-type: none"> ○ worksheet, balance sheet, income statement, net income, net loss, component percentage
<p>Essential Skills</p>	<ul style="list-style-type: none"> ▪ Prepare the necessary financial information in formal form using the worksheet data. ▪ Calculate and analyze the component percentage for sections of the income statement. ▪ Explain why businesses use these statements to make sound decisions for the future. ▪ Recognize the significance of the accounting equation when completing the balance sheet. ▪ Identify the component percentages for completing the income statement. ▪ Complete a balance sheet and income statement correctly. ▪ Calculate the net income/loss.
<p>Related Maine Learning Results</p>	<p><u>Career and Education Development</u> A. Learning About Self and Interpersonal Relationships A4.Career and Life Roles Students demonstrate and evaluate successful strategies for accomplishing tasks, balancing career and life roles, and reducing stress in a variety of school, work, and community settings. a. Time management b. Goal-setting c. Resource management</p>

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**Related
Maine Learning
Results**

- B. Learning About and Exploring Education, Career, and Life Roles
- B1. Relationships Among Learning, Work, the Community, and the Global Economy
Students evaluate strategies for improving educational achievement, increasing participation as an involved citizen, and increasing work options and earning potential in a 21st century global economy.
- B2. Skills for Individual/Personal Success in the 21st Century
Students evaluate strategies to improve skills that lead to lifelong learning and success in the classroom, and the achievement of schoolwork, work and career, and personal life goals.
- a. Literacy skills
 - b. Numeracy
 - c. Critical thinking skills
 - d. Information and communication technology (ICT) literacy
 - e. Interpersonal skills
 - f. Other academic skills and knowledge
- B3. Education and Career Information
Students use previously acquired knowledge and skills to evaluate and utilize a variety of resources to articulate a plan and make decisions for post-secondary education, training, and career choices.

Mathematics

B. Data

Measurement and Approximation

B1. Students understand the relationship between precision and accuracy.

- a. Express answers to a reasonable degree of *precision* in the context of a given problem.
- b. Represent an approximate measurement using appropriate numbers of significant figures.
- c. Know that most measurements are approximations and explain why it is useful to take the mean of repeated measurements.

Data Analysis

B2. Students understand correlation and cause and effect.

- a. Recognize when correlation has been confused with cause and effect.
- b. Create and interpret scatter plots and estimate correlation and lines of best fit.
- c. Recognize positive and negative correlations based on data from a table or scatter plot.
- d. Estimate the strength of correlation based upon a scatter

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	plot.
Related Maine Learning Results	<p>B3.Students understand and know how to describe distributions and find and use descriptive statistics for a set of data.</p> <ol style="list-style-type: none"> Find and apply range, quartiles, mean absolute deviation, and standard deviation (using technology) of a set of data. Interpret, give examples of, and describe key differences among different types of distributions: uniform, normal, and skewed. For the sample mean of normal distributions, use the standard deviation for a group of observations to establish 90%, 95%, or 99% confidence intervals. <p>B4.Students understand the purpose of random sampling is to reduce bias when creating a representative sample for a set of data.</p> <ol style="list-style-type: none"> Describe and account for the difference between sample statistics and statistics describing the distribution of the entire population. Recognize that sample statistics produce estimates for the distribution of an entire population and recognize that larger sample sizes will produce more reliable estimates. Apply methods of creating random samples and recognize possible sources of bias in samples. <p>D. Algebra Symbols and Expressions D1.Students understand and use polynomials and expressions with rational exponents.</p> <ol style="list-style-type: none"> Simplify expressions including those with rational exponents. Add, subtract, and multiply polynomials. Factor the common term out of polynomial expressions. Divide polynomials by $(ax + b)$.
Sample Lessons And Activities	<ul style="list-style-type: none"> ▪ Use the information from the worksheet to prepare a balance sheet and income statement for presentation.
Sample Classroom Assessment Methods	<ul style="list-style-type: none"> ▪ Class Work ▪ Homework ▪ Quiz ▪ Test
Sample Resources	<ul style="list-style-type: none"> ▪ <u>Publications:</u> <ul style="list-style-type: none"> ○ <u>Century 21 Accounting</u> – Southwest Cengage Learning