

# Unit 4: Financial Statements and Completing the Accounting Cycle

Content Area: **Business Management and Information**

Course(s):

Time Period: **Marking Period 2**

Length: **5-6 weeks**

Status: **Published**

## Introduction

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The Accounting course aims to provide students with a comprehensive introduction to the principles and practices of accounting. Throughout the course, students will learn fundamental concepts such as the accounting equation, double-entry accounting, and the preparation of financial statements. Emphasis will be placed on understanding the role of assets, liabilities, and equity in financial transactions. Students will also apply accounting principles to real-world scenarios. Practical skills will be further developed through hands-on exercises and simulations, and by the end of the course, students will have a solid foundation in accounting principles, enabling them to analyze and interpret financial information effectively.

In this unit, students will learn that financial statements are the reports that accountants create to keep track of the important financial information within a business. After recording the business transactions correctly and posting to the ledger, students will create financial statements, including income statements, balance sheets, and statement of changes in owner's equity. These reports will then be analyzed and used to make important business decisions that can lead to the success or failure of a company.

Introduction: Students will learn about the financial statements created at the end of an accounting period including a 6 column worksheet, income statement and statement of changes in owner's equity, balance sheets, and the statement of cash flows. These financial statements keep track of the finances during an accounting period. These will organize how the company is doing financially and what the company needs to work on or continue doing in the future. After the financial statements, the students will learn to post closing entries and create a post closing trial balance

Students in Business Management and Information Systems classes develop skills that are intended to give them a competitive advantage in the workplace. Through the study of core business topics and current events, this curriculum encourages students to refine their speaking and listening skills, collaborate with their peers, and explore and research potential career paths.

Revision Date: July 2020

This unit is aligned to the English Language Development (ELD) standards for kindergarten through grade 12

since multilingual learners develop content and language concurrently, with academic content in a classroom where the language of instruction is English. As a result, language learning and language as a means for learning academic content are interchangeable. The following ELD standards are relevant for this unit and course of study:

- Standard 1: Language for Social and Instructional Purposes: English language learners communicate for social and instructional purposes within the school setting.

LA.RI.9-10.1	Accurately cite strong and thorough textual evidence, (e.g., via discussion, written response, etc.) and make relevant connections, to support analysis of what the text says explicitly as well as inferentially, including determining where the text leaves matters uncertain.
LA.RI.9-10.2	Determine a central idea of a text and analyze how it is developed and refined by specific details; provide an objective summary of the text.
LA.RI.9-10.4	Determine the meaning of words and phrases as they are used in a text, including figurative, connotative, and technical meanings; analyze the cumulative impact of specific word choices on meaning and tone (e.g., how the language of a court opinion differs from that of a newspaper).
LA.RI.9-10.5	Analyze in detail how an author's ideas or claims are developed and refined by particular sentences, paragraphs, or larger portions of a text (e.g., a section or chapter).
LA.W.9-10.2	Write informative/explanatory texts to examine and convey complex ideas, concepts, and information clearly and accurately through the effective selection, organization, and analysis of content.
LA.W.9-10.2.B	Develop the topic with well-chosen, relevant, and sufficient facts, extended definitions, concrete details, quotations, or other information and examples appropriate to the audience's knowledge of the topic.
LA.W.9-10.7	Conduct short as well as more sustained research projects to answer a question (including a self-generated question) or solve a problem; narrow or broaden the inquiry when appropriate; synthesize multiple sources on the subject, demonstrating understanding of the subject under investigation.
LA.W.9-10.8	Gather relevant information from multiple authoritative print and digital sources, using advanced searches effectively; assess the usefulness of each source in answering the research question; integrate information into the text selectively to maintain the flow of ideas, avoiding plagiarism and following a standard format for citation (MLA or APA Style Manuals).
LA.9-10.W.9-10.1	Write arguments to support claims in an analysis of substantive topics or texts, using valid reasoning and relevant and sufficient evidence. Introduce precise claim(s), distinguish the claim(s) from alternate or opposing claims, and create an organization that establishes clear relationships among claim(s), counterclaims, reasons, and evidence.
PFL.9.1.12.A.8	Analyze different forms of currency and how currency is used to exchange goods and services.
PFL.9.1.12.C.1	Compare and contrast the financial benefits of different products and services offered by a variety of financial institutions.
PFL.9.1.12.D.7	Explain the risk, return, and liquidity of various savings and investment alternatives.
PFL.9.1.12.E.1	Evaluate the appropriateness of different types of monetary transactions (e.g., electronic transfer, check, certified check, money order, gift card, barter) for various situations.
PFL.9.1.12.E.2	Analyze and apply multiple sources of financial information when prioritizing financial decisions.
SEL.PK-12.1.1	Recognize one's feelings and thoughts

SEL.PK-12.3.1	Recognize and identify the thoughts, feelings, and perspectives of others
SEL.PK-12.5.1	Establish and maintain healthy relationships
SEL.PK-12.5.2	Utilize positive communication and social skills to interact effectively with others

## Essential Questions

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Essential Questions:

- Why is the six-column work sheet an important accounting tool?
- What effect does inconsistency in the fiscal period have on financial reports?
- What is the basis for making good financial decisions?

Enduring Understandings:

- The worksheet is an important working paper so the accountant can begin working on the financial statements
- On the worksheet, a necessary step is to calculate the net income or net loss
- The statement of changes in owner's equity is a crucial step to keep a business running successfully and keep track of the owner's fluctuations
- The balance sheet is similar to the trial balance but uses the calculations from the other financial statements
- The income statement is used to calculate if the company is making or losing money in the accounting period
- It is essential to have cash available for the daily operations of the business and for unexpected expenses
- The statement of cash flows summarizes the amount of cash the business took in, the sources of cash, the amount of cash the business paid out, the uses of cash

## Objectives

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Students will know:

- Vocabulary terms: permanent accounts, temporary capital accounts, revenue recognition, accounting cycle, source document, invoice, receipt, memorandum, check stub, journalizing, calendar year, fiscal year, worksheet, balance sheet, income statement, statement of owner's equity.
- The information contained in the 6 column worksheet

- How to calculate the net income and net loss on the worksheet
- How to format financial statements and their purposes
- How to create an income statement and its use to calculate if the company is making or losing money
- How to create a statement of changes in owner's equity to calculate the owner's fluctuations due to business transactions
- How to create a balance sheet to report the balances of all permanent accounts
- How to create a statement of cash flows to keep track of all the fluid cash within the company
- How to and why we create closing entries after the financial statements
- How to create a post-closing trial balance

Students will be skilled at:

- Organizing a 6 column worksheet and calculating net income or net loss
- Creating financial statements including income statements, balance sheets, statement of changes in owner's equity, and statement of cash flows
- Making correcting entries to close out the temporary accounts
- Creating post-closing trial balances to keep accurate balances for the next accounting period

## **Learning Plan**

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The learning plan includes, but is not limited to the following:

- Students will read and analyze business articles and videos that relate to the topics covered
- Using the smartboard, have students complete demonstration problems for the worksheet, including where all the information comes from
- Complete assignments dealing with creating 6 column worksheets on McGraw-Hill site
- Complete assignments dealing with creating financial statements on McGraw-Hill site
- Using Excel, creating 6 column worksheet out of trial balance made at the end of last Unit
- Using Excel creating financial statements from 6 column worksheet
- Unit quiz on vocabulary including revenue recognition, worksheet and financial statements
- Complete assignments on McGraw-Hill site on making closing entries and post closing trial balance
- Complete assignment 8-7 "Preparing a Six- Column Worksheet"
- Complete Real-world applications assignment "Management Accounting"
- SEL: Discussion about the accounting side of Enron Scandal and the changes that came due to it and the families who were affected by it. Complete an assignment on making ethical decisions and why they made the decisions.
- Complete the accounting cycle using Great Escapes documents
- Unit test on the accounting cycle and creating financial statements

Note: Other strategies to address the learning objectives may include, but are not limited to direct instruction,

self and peer review, think-pair-share activities, creating visual representations film analysis, Socratic seminars, small group discussions, simulations, jigsaw activities, gallery walks, web quests, and/or inquiry or problem based learning projects.

## **Assessment**

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When taking a Business course, students demonstrate differentiated proficiency according to their ability to answer the essential questions through formative and summative assessments. Many of the performance tasks below can be implemented as formative and/or summative assessments. As teachers strive for students to demonstrate proficiency, they will need to create additional or alternative assessments based on demonstration or absence of skill.

Formative Assessments:

- Classwork and Homework on McGraw Hill Connect online software [www.mcgrawhillconnect.com](http://www.mcgrawhillconnect.com). Practice problems done in class using textbook and McGraw-Hill software. Real-world applications assignment “Management Accounting”

Summative Assessment:

- Completion of financial statements and accounting cycle in Great Escapes, Unit quiz on vocabulary including revenue recognition, worksheet and financial statements, Unit test on the accounting cycle and creating financial statements

Alternative Assessment:

- Research the Big 4 Accounting Firms using aicpa website

Benchmark Assessment:

- DECA Case Studies

## **Materials**

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The design of this course allows for the integration of a variety of instructional, supplemental, and intervention materials that support student learners at all levels in the school and home environments. Associated web content and media sources are infused into the unit as applicable and available. In addition to the materials

below, the following link connects to district approved textbooks and resources utilized in this course: [Core Book List](#)

[McGraw-Hill Connect](#)

[Career Interest Profiler](#)

[Cool Accounting Careers Video](#)

[Types of Accountants Article](#)

[Yahoo Finance](#)

[CPA Journal](#)

[Enron Fraud Explained](#)

[Accrual Basis- Khan Academy](#)

[Financial Statements- Khan Academy](#)

[SEC EDGAR Database](#)

[GAAP Principles Video](#)

[FASB Video](#)

[Income Statement Video](#)

[Build Your Stax Game](#)

Monopoly Game

Any additional resources that are not included in this list will be presented to and reviewed by the supervisor before being included in lesson plans. This ensures resources are reviewed and vetted for relevance and appropriateness prior to implementation.

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## **Modifications**

This link includes content specific accommodations and modifications for all populations:

<https://docs.google.com/spreadsheets/d/1g8M7CZ5VVwvFk2Ay9DZbjdewOYDyNOzpNeEBgSXPvr0/edit?u>

These additional strategies are helpful when learning Business Management and Information Systems content and skills:

- Highlighter for close reading and annotation strategies
- Bolded terms in directions
- Reading texts aloud for students to assist in comprehension and analysis
- Providing opportunities for text-to-speech for written responses.
- Using visual presentations of all materials and including graphic organizers when possible.