Unit 3: Financial Statements and Completing the Accounting Cycle

Content Area: **Business Management and Information**
Course(s):
Time Period: **Marking Period 2**
Length: **6-7 Weeks**
Status: **Published**

Summary

Accounting 1 introduces students to the basic principles, concepts, and procedures of accounting. Students will learn about the entire accounting cycle, from analyzing and recording transactions to preparing financial statements. Emphasis will be placed on accounting procedures for a proprietorship business organization, while accounting career opportunities will also be explored.

This unit is part of the larger aforementioned course sequence and specifically focuses on financial statements and completing the accounting cycle. Students will reflect on how the worksheet is an important aspect of the accounting cycle by using it to create financial statements to calculate net income and net loss. Students will understand that running a successful business includes having reliable financial statements to account for the owner's equity and to ensure the financial health of a company. By the end of this unit, students will be able to utilize a six-column worksheet to prepare end of year reports, read and create financial statements, create closing entries for an accounting period, explain the importance of and produce a post-closing trial balance, reflect on the profitability of a company based on its end-of-year reports, and apply all the steps of the accounting cycle in order.

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: August 2025

Standards

9.1.12.CFR.4: Demonstrate an understanding of the interrelationships among attitudes, assumptions, and patterns of behavior regarding money, saving, investing, and work across cultures.

9.1.12.CFR.6: Identify and explain the consequences of breaking federal and/or state employment or financial laws.

9.1.12.FI.2: Explain ways to manage your accounts that maximize benefits and provide you with the utmost

protection.

9.1.12.FP.5: Evaluate how behavioral bias (e.g., overconfidence, confirmation, recency, loss aversion, etc.) affects decision-making.

9.1.12.FP.6: Evaluate the relationship of familial patterns, cultural traditions, and historical influences on financial practice.

9.1.12.PB.2: Prioritize financial decisions by considering alternatives and possible consequences.

9.4.12.CI.1: Demonstrate the ability to reflect, analyze, and use creative skills and ideas (e.g., 1.1.12prof.CR3a).

9.4.12.CI.2: Identify career pathways that highlight personal talents, skills, and abilities (e.g., 1.4.12prof.CR2b, 2.2.12.LF.8).

9.4.12.CI.3: Investigate new challenges and opportunities for personal growth, advancement, and transition (e.g., 2.1.12.PGD.1).

9.4.12.CT.1: Identify problem-solving strategies used in the development of an innovative product or practice (e.g., 1.1.12acc.C1b, 2.2.12.PF.3).

9.4.12.CT.2: Explain the potential benefits of collaborating to enhance critical thinking and problem solving (e.g., 1.3E.12profCR3.a).

9.4.12.CT.4: Participate in online strategy and planning sessions for course-based, school-based, or other project and determine the strategies that contribute to effective outcomes.

9.4.12.IML.2: Evaluate digital sources for timeliness, accuracy, perspective, credibility of the source, and relevance of information, in media, data, or other resources (e.g., NJSLSA.W8, Social Studies Practice: Gathering and

Evaluating Sources.

9.4.12.IML.3: Analyze data using tools and models to make valid and reliable claims, or to determine optimal design solutions (e.g., S-ID.B.6a., 8.1.12.DA.5, 7.1.IH.IPRET.8)

9.4.12.IML.4: Assess and critique the appropriateness and impact of existing data visualizations for an intended audience (e.g., S-ID.B.6b, HS-LS2-4).

9.4.12.TL.1: Assess digital tools based on features such as accessibility options, capacities, and utility for accomplishing a specified task (e.g., W.11-12.6.).

9.4.12.TL.2: Generate data using formula-based calculations in a spreadsheet and draw conclusions about the data.

9.4.12.TL.3: Analyze the effectiveness of the process and quality of collaborative environments.

9.4.12.TL.4: Collaborate in online learning communities or social networks or virtual worlds to analyze and propose a resolution to a real-world problem (e.g., 7.1.AL.IPERS.6).

RI.CI.9–10.2. Determine one or more central ideas of an informational text and analyze how it is developed and refined over the course of a text, including how it emerges and is shaped by specific details; provide an objective summary of the text.

RI.AA.9–10.7. Describe and evaluate the argument and specific claims in an informational text, assessing whether the reasoning is valid and the evidence is relevant and sufficient; identify false statements and reasoning.

RI.CT.9–10.8. Analyze and reflect on (e.g., practical knowledge, historical/cultural context, and background knowledge) seminal and informational text of historical and scientific significance, including how they relate in terms of themes and significant concepts.

W.WR.9–10.5. 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.

W.RW.9–10.7. Write routinely over extended time frames (time for research, reflection, and revision) and shorter time frames (a single sitting or a day or two) for a range of tasks, purposes, and audiences.

SL.PE.9–10.1. Initiate and participate effectively in a range of collaborative discussions (one-on-one, in groups, and teacher-led) with peers on grades 9–10 topics, texts, and issues, building on others' ideas and expressing their own clearly and persuasively.

B. Collaborate with peers to set rules for discussions (e.g., informal consensus, taking votes on key issues, presentation of alternate views); develop clear goals and assessment criteria (e.g., student developed rubric) and assign individual roles as needed.

C. Propel conversations by posing and responding to questions that relate the current discussion to broader themes or larger ideas; actively incorporate others into the discussion; and clarify, verify, or challenge ideas and conclusions.

D. Respond thoughtfully to various perspectives, summarize points of agreement and disagreement, and justify own views. Make new connections in light of the evidence and reasoning presented.

SL.II.9–10.2. Integrate multiple sources of information presented in diverse media or formats (e.g., visually, quantitatively, qualitatively, orally) evaluating the credibility and accuracy of each source.

SL.PI.9–10.4. Present information, findings, and supporting evidence clearly, concisely, and logically. The content, organization, development, and style are appropriate to task, purpose, and audience.

SL.UM.9–10.5. Make strategic use of digital media (e.g., textual, graphical, audio, visual, and interactive elements) in presentations to enhance findings, reasoning, and evidence and to add interest.

In accordance with New Jersey's Chapter 32 Diversity and Inclusion Law, this unit includes instructional materials that highlight and promote diversity, including: economic diversity, equity, and tolerance.

The standards in this unit reflect a developmental progression and make interdisciplinary connections across content areas including the humanities, technology, career readiness, cultural awareness, and global citizenship.

Essential Questions

Essential Questions:

- Why is the six-column work sheet an important accounting tool?
- How effect does inconsistency in the fiscal period have on financial reports?

Enduring Understandings:

- The worksheet is an important aspect of the accounting cycle for accountants, as they use the worksheet to create financial statements to calculate net income and net loss.
- Running a successful business includes having reliable financial statements to account for owner's equity and to ensure the financial health of a company.

Objectives

Students Will Know:

- Vocabulary terms including but not limited to: 6-column worksheet, financial report, statement of changes, owner's equity, balance sheet, income statement, daily operations, cash flow, net income, net loss, net revenue, net earnings, cash available, permanent accounts, temporary accounts, revenue recognition, accounting cycle, source document, closing entries, post closing trial balance, retained earnings.
- The worksheet is a step in the accounting cycle where debits and credits are recorded and analyzed in order to identify adjusting entries if there are any discrepancies.
- Adjusting journal entries are made at the end of the financial period after corrections have been made to the worksheet.
- Financial statements are prepared after adjusted journal entries have been made to formalize a company's financial accounts.
- The last step of the accounting cycle is closing the books, where the temporary accounts are finalized using closing entries.
- Companies use post closing trial balances to ensure debits and credits match before starting a new accounting cycle period.
- 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 to report the balances of all permanent accounts.

- 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.
- The information contained in the 6 column worksheet.
- The format of financial statements and their purposes.
- The purpose of creating closing entries after the financial statements.

Students Will Be Skilled At:

- Explaining why financial statements and closing entries are necessary for businesses to work.
- Calculating the net income and the net loss on the worksheet.
- Developing a statement of cash flows to keep track of all the fluid cash within the company.
- Generating a post-closing trial balance.
- Organizing a 6 column worksheet and calculating net income or net loss.
- The 6-column worksheet consists of the trial balance, income sheet, and balance statement.
- 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

How to Read an Income Statement: After learning about the components of an income statement, students will analyze an income statement of a business to determine the company's net income. Students will use their findings to make a claim regarding whether or not the company performed well in the given financial period.

Calculating Net Income: Students will be given a list of financial transactions that they will organize into an income sheet. Students will calculate revenue, expenses, gains, and losses to determine the net income of the company.

Using the Worksheet: Students will practice utilizing the 6 column accounting worksheet in pairs to organize the trial balance, balance sheet, and income statement into one Excel sheet. Students will make sure that they are matching their expenses. Students will also indicate the net income they calculated using the worksheet.

Creating a Statement of Changes to Owner's Equity: Students will evaluate the changes to an owner's capital in a business over a given period of time through calculating a statement of changes to owner's equity. Students will classify transactions as contributions, net income, and net losses and determine how the changes impacted the owner's capital.

Balance Sheet Analysis: After learning about the components of a balance sheet and how it compares to a trial balance, students will act as financial analysts and review balance sheets for different companies. Students will reflect on whether the company has a positive net worth, whether it has enough cash and liquid assets for short-term operations, and whether the company is indebted higher than its peers.

Creating Financial Statements from the Worksheet: Students will be given a 6-column worksheet and will produce an income statement and the statement of changes to owner's equity from the worksheet. Students will reflect on how the worksheet can help in creating financial statements.

Closing Accounts Analysis: Students will create their own closing entry for a business account, where they move balances from a temporary account to a permanent account. Students will reflect on why it is necessary to "close the books" on an account prior to starting a new temporary account. Students will then reflect on the long-term standing of the company and whether or not it is profitable based on their account records.

Post Closing Trial Balance: After students have prepared closing entries, they will finalize their post-closing trial balance in order to prepare for the next accounting cycle. Students will classify permanent account balances into their post closing trial balance, trying to ensure that accurate balances are carried over for the next accounting period.

Birthday Cake Accounting: Students will read a children's book-style story about baking a birthday cake. As students go through the story, they will apply the steps of the accounting cycle to the main characters. Students will record how the characters achieve their goal and reflect on whether or not their cake baking was profitable.

Assessment

When taking a Business Management and Information Technology 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:

- Do Nows
- Exit Slips
- McGraw Hill Connect Classwork Assignments
- How to Read an Income Statement
- Calculating Net Income
- Using the Worksheet
- Creating a Statement of Changes to Owner's Equity
- Balance Sheet Analysis
- Creating Financial Statements from the Worksheet
- Closing Accounts Analysis
- Post-Closing Trial Balance
- Birthday Cake Accounting

Summative Assessments:

- Financial Statements Quiz
- Completing the Accounting Cycle Excel Cumulative: Students will complete the last four steps in the accounting cycle to exemplify their understanding of how to record, rectify and finalize transactions. Students will use an excel sheet to create a 6-column worksheet, finalize financial statements, create a closing entry and post-closing trial balance to reflect on the financial transactions of a company and how they performed.

Alternative Assessments: Students will complete an "Accounting Ledger" where they identify and explain the unit concepts and how they are utilized. Students will utilize the worksheet to organize the trial balance, balance sheet, and income statement, finalize financial statements, create closing journal entries to close temporary accounts, and prepare a post-closing trial balance.

Materials

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.

The following are approved resources that teachers can include to further unit related objectives:

McGraw Hill Connect

Accounting Cycle Definition: Timing and How it Works (Investopedia)

Income Statement: How to Read and Use It (Investopedia)

How to Complete the Worksheet with Accounting Principles video (Wiley)

Statement of Owner's Equity Example and Explanation (Accountingverse)

Balance Sheet: Explanation, Components, and Examples (Investopedia)

Closing Entry Article (CFI)

How to Prepare Closing Entries and Prepare a Post Closing Trial Balance video (Wiley)

Carlos and Ana Birthday Cake Accounting (WGYP)

Steps of the Accounting Process Handout (WGYP)

WGYP Lesson Plans- Accounting (WGYP)

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.

Integrated Accommodation and Modifications

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

https://docs.google.com/spreadsheets/d/1g8M7CZ5VVwvFk2Ay9DZbjdewOYDyNOzpNeEBgSXPvr0/edit?usp=sharing

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

- Bold terms in directions.
- Read texts aloud for students to assist in comprehension and analysis.
- Provide opportunities for text-to-speech for written responses.
- Use visual presentations of all materials and instructions.
- Provide step-by-step instructions for mathematical problems that require calculation.
- Model of practices to support student understanding.
- Include calculation tools when applicable for utilizing double entry accounting, adjusting errors, creating financial statements, closing the books, and creating a post-closing trial balance.