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| **TEXAS CTE LESSON PLAN**[www.txcte.org](http://www.txcte.org) |
| **Lesson Identification and TEKS Addressed** |
| **Career Cluster** | Business Management and Administration |
| **Course Name** | Virtual Business |
| **Lesson/Unit Title** | Accounting for a Service Proprietorship—Stage 1 |
| **TEKS Student Expectations** | **130.141 (c) Knowledge and Skills**(5) The student establishes pricing, billing, and collections procedures. The student is expected to:(C) apply fundamental bookkeeping skills for a virtual business office. |
| **Basic Direct Teach Lesson**(Includes Special Education Modifications/Accommodations and one English Language Proficiency Standards (ELPS) Strategy) |
| **Instructional Objectives** | **Performance Objective**Upon completion of this lesson, the student will be able to apply fundamental bookkeeping skills for a virtual business office.**Specific Objective*** Students will identify, understand, and apply the terms associated with this lesson.
* Students will identify and understand the basic accounting concepts.
* Students will identify and understand the accounting equation.
* Students will establish a simple chart of accounts.
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| **Rationale** | Accounting is the most important part of any successful virtual business. It provides the most vital information you need to understand how your business grows, makes money, where the profit of a business goes, and what your cash flow is on a month-to-month basis. This lesson will teach you the fundamentals of accounting to help you begin making the necessary financial decisions for running a successful virtual business. |
| **Duration of Lesson** | 4-5 days |
| **Word Wall/Key Vocabulary***(ELPS c1a,c,f; c2b; c3a,b,d; c4c; c5b) PDAS II(5)* | **Terms*** **Accounting‐**planning, recording, analyzing, and interpreting financial information
* **Accounting System‐**a planned process for providing financial information that will be useful tomanagement
* **Accounting Records‐**organized summaries of a business’ financial activities
* **Service Business**‐a business that performs an activity for a fee
* **Proprietorship**‐a business owned by one person
* **Asset‐**anything of value that is owned
* **Equities**‐financial rights to the assets of a business
* **Liability**‐an amount owed by a business
* **Owner’s Equity**‐the amount remaining after the value of all liabilities is subtracted from the value of allassets
* **Accounting Equation‐**Assets = Liabilities + Owner’s Equity
* **Transaction**‐a business activity that changes assets, liabilities, or owner’s equity
* **Account**‐a record summarizing all the information pertaining to a single item in the accountingequation
* **Account Title**‐the name given to an account
* **Account Balance**‐the dollar amount in an account
* **Normal Balance‐**the side of the account that is increased
* **Capital**‐the account used to summarize the owner’s equity in a business
* **Chart of Accounts**‐a list of accounts used by a business
* **Debit**‐an amount recorded to the left side
* **Credit**‐an amount recorded to the right side
* **Accounting Cycle**‐every event, like paying a bill, leads to a transaction and that transaction is recordedin two places to show a decrease to one and an increase to another
* **Accounting Concepts**‐necessary assumptions or conditions upon which accounting is based
* **Business Entity‐**accounting records reflect the financial activities of a specific business or organization,not of its owners or employees
* **Money Management**‐the accounting process records only activities that can be expressed in monetaryterms (with some exceptions)
* **Going Concern‐**the business entity for which accounts are being prepared is in good condition and willcontinue to be in business in the foreseeable future
* **Historical Cost**‐assets are listed on a balance sheet with the value at which they were purchased,rather than the current value on the market
* **Prudence/Conservatism‐**revenue and profits are included in the balance sheet only when they arerealized (or there is reasonable certainty of realizing them) but liabilities are included when there is reasonable possibility of incurring them
* **Materiality**‐minor events may be ignored, but the major ones should be fully disclosed
* **Objectivity**‐financial statements should be based only on verifiable evidence, not biased toward aparticular group or vested interest
* **Consistency**‐once an accounting method has been chosen, that method should be used unless there isa sound reason to do otherwise
* **Accruals/Matching**‐income should be properly matched with the expenses of a given accountingperiod
* **Realization**‐any change in the market value of an asset or liability is not recognized as a profit or lossuntil the asset is sold or the liability is paid off
* **Disclosure**‐statutory or good faith revelation of a material fact (or an item of information that is notgenerally known) on a financial statement or in the accompanying notes (footnotes)
* **Uniformity**‐absolute or very high degree of comparability between two or more alternatives,processes, products, qualifications, sets of data, systems, etc.; implies consistency in lack of variation between the items being compared over a long period and across a wide range
* **Relevance**‐in order to be useful, accounting information must assist a user to form, confirm, or mayberevise a view‐usually in the context of making a decision
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| **Materials/Specialized Equipment Needed** | **Instructional Aids:*** Online websites listed in the Reference Section

**Equipment Needed:*** Instructor Computer
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| **Anticipatory Set**(May include pre-assessment for prior knowledge) | **Ask** Do you know how much your individual net worth is?**Say** Think ahead 10 years from now. Make a list of everything you hope to own (assets) at that time. Nowmake a list of everything you think you’ll owe (liabilities) at that time. Now subtract the smaller number from the larger number. This is your personal net worth.**Say** To determine a company’s net worth, you use the same method.**Ask** How many of you have checking accounts?**Ask** When you debit your checking account, what happens to your balance?**Ask** When you credit your checking account, what happens to your balance?**Say** In accounting, debit doesn’t always decrease your accounts and credit doesn’t always increase them. It alldepends on the type of account and kind of transaction that has occurred.**Say** In this lesson you’re going to be made aware of and apply some basics of accounting. Your perspectivewill be that of a proprietor who sells a service to customers, such as lawn mowing, tutoring, babysitting, athletic lessons, instrument lessons, etc. and you will be responsible for setting up your accounts (chart of accounts) and understanding some key accounting concepts that will help establish a solid financial foundation for your business. In the next lesson, we’ll apply this knowledge in some specific instances. |
| **Direct Instruction \*** | 1. Vocabulary/Personal Word Walls
2. Introduction (Ask and Say)
3. Discovery Activity: Financially Stable Quotations—Students use a search engine of choice to find and record five quotations that represent their understanding/mindset of what it means to be financially stable.
4. Information: Accounting Equation
5. Assignment: Accounting Equation—Have students complete the Accounting Equation assignment provided in the handout.
6. Information: Chart of Accounts
7. Assignment: Chart of Accounts—Have students complete the Chart of Accounts assignment provided in the handout.
8. Review and Evaluation

*Individualized Education Plan (IEP) for all special education students must be followed. Examples of accommodations may include, but are not limited to:*This lesson may be modified to accommodate your students with learning differences by referring to the files found on the Career & Technical Special Populations page of this website (http://cte.unt.edu/). |
| **Guided Practice \*** | **Discovery Activity**Have students use either a pre‐selected (by you) website, or any site of their choosing, to find and record five quotations that represent how they feel about being financially sound/stable.**Information‐Accounting Equation**Share this information with your students.**Information‐Chart of Accounts**Share this information with your students. |
| **Independent Practice/Laboratory Experience/Differentiated Activities \*** | **Assignment‐Accounting Equation**Have students calculate the missing number when given two of the three numbers in the accounting equation.

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| Assets | Liabilities | Owner’s Equity |
| $90,000 | $49,000 | $41,000 |
|  | $68,000 | $30,000 |
| $3,000 |  | $2,000 |
| $108,000 | $60,000 |  |
| $19,000 |  | $11,000 |
| $125,000 |  | $30,000 |

**Assignment‐Chart of Accounts**Assign the following account titles an appropriate account number and identify which type of account it is . . . asset, liability, owner’s equity, revenue or expense.

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|  | **Account Number** | **Type of Account** |
| Cash | 110 | Asset |
| Prepaid Insurance |  |  |
| Accounts Payable 1 |  |  |
| Accounts Payable 2 |  |  |
| Accounts Receivable 1 |  |  |
| Supplies |  |  |
| Accounts Receivable 2 |  |  |
| Sales |  |  |
| Owner, Capital |  |  |
| Advertising Expense |  |  |
| Owner, Drawing |  |  |
| Rent Expense |  |  |

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| **Lesson Closure** | Review the lesson’s purpose and evaluate its effectiveness. |
| **Summative / End of Lesson Assessment \*** | Lesson 4.2 Assessment |
| **References/Resources/****Teacher Preparation** | **References*** Ross, Gilbertson, C. B., Lehman, M. W., & Hanson. (2009). *Century 21st Accounting General Journal* *(Texas Edition, Teacher’s Edition).* Mason, OH: Southwestern.
* Riley, J. (2012, September 23). *Accounting Concepts and Conventions.* Retrieved from [**http://www.tutor2u.net/business/accounts/accounting\_conventions\_concepts.htm**](http://www.tutor2u.net/business/accounts/accounting_conventions_concepts.htm)
* WebFinance, Inc. (2013). *Business Dictionary*.
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| **Additional Required Components** |
| **English Language Proficiency Standards (ELPS) Strategies** | **English‐English IV*** 110.34 (b) (1) Reading/Vocabulary Development. Students understand new vocabulary and use it when reading and writing.
* 110.34 (b) (17) Students understand the function of and use the conventions of academic language when speaking and writing. Students will continue to apply earlier standards with greater complexity.
* 110.34 (b) (18) Students will write legibly and use appropriate capitalization and punctuation conventions in their compositions. Students are expected to correctly and consistently use conventions of punctuation and capitalization.
* 110.34 (b) (19) Students are expected to spell correctly, including using various resources to determine and check correct spellings.
* 110.34 (b) (12) Students use comprehension skills to analyze how words, images, graphics, and sounds work together to impact meaning.
* 110.34 (b) (23) Students organize and present their ideas and information according to the purpose and research and their audience.
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| **College and Career Readiness Connection[[1]](#footnote-1)** |  |
| **Recommended Strategies** |
| **Reading Strategies** |  |
| **Quotes** |  |
| **Multimedia/Visual Strategy****Presentation Slides + One Additional Technology Connection** |  |
| **Graphic Organizers/Handout** |  |
| **Writing Strategies****Journal Entries + 1 Additional Writing Strategy** |  |
| **Communication****90 Second Speech Topics** |  |
| **Other Essential Lesson Components** |
| **Enrichment Activity**(e.g., homework assignment) | Have students search for news articles regarding companies or individuals who could maintain a positive net worth in the last three years.Have students select one company and research to find out the financial history of that company from year to year since its inception. Student will then create a timeline with the findings. |
| **Family/Community Connection** |  |
| **CTSO connection(s)** | Business Professionals of AmericaFuture Business Leaders of America |
| **Service Learning Projects** |  |
| **Lesson Notes** |  |

1. Visit the Texas College and Career Readiness Standards at <http://www.thecb.state.tx.us/collegereadiness/CRS.pdf>, Texas Higher Education Coordinating Board (THECB), 2009. [↑](#footnote-ref-1)