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| **TEXAS CTE LESSON PLAN**[www.txcte.org](http://www.txcte.org) |
| **Lesson Identification and TEKS Addressed** |
| **Career Cluster** | Business Management & Administration |
| **Course Name** | The Principles of Business, Marketing, and Finance |
| **Lesson/Unit Title** | Lesson Four: Financial Planning |
| **TEKS Student Expectations** | **130.132. (c) Knowledge and Skills**(2) The student describes the characteristics of business. (F) The student is expected to interpret the nature of balance sheets and income statements and(10) The student demonstrates an understanding of personal financial management. (A) The student is expected to explain the importance of providing accurate information; (F) The student is expected examine investment growth by developing a personal investment plan. |
| **Basic Direct Teach Lesson**(Includes Special Education Modifications/Accommodations and one English Language Proficiency Standards (ELPS) Strategy) |
| **Instructional Objectives** | • Upon completion of this lesson, the student will recognize important financial questions that must be answered in a business and explain essential financial statements.• Recognize important financial questions that must be answered in a business.• List the steps in budget preparation.• Describe three types of business budgets.• Identify several types of financial records needed by businesses.• Describe the differences between an income statement and a balance sheet.• Describe components of a business’ payroll system.• Identify information included in payroll records and paychecks.• Recognize important financial information managers use to make decisions.• Identify the steps in making financial decisions in business. |
| **Rationale** | Upon completion of this lesson, the student will recognize important financial questions that must be answered in a business and explain essential financial statements. |
| **Duration of Lesson** | Teacher’s Discretion |
| **Word Wall/Key Vocabulary***(ELPS c1a,c,f; c2b; c3a,b,d; c4c; c5b) PDAS II(5)* | * Revenue – all income that a business receives over a period
* Expenses – costs of operating a business
* Budget – detailed plans for the financial needs of a business
* Start-up budget-plans income and expenses from the beginning of a new business or a major business expansion until it becomes profitable
* Operating budget-describes the financial plan for ongoing operations of the business for a specific period of time
* Cash budget-an estimate of the actual money received and paid out for a specific period of time
* Financial records-financial documents that are used to record and analyze the financial performance of a business
* Assets-what a company owns; anything of value owned by a business
* Liabilities-what a company owes
* Owner’s equity-the value of the business after liabilities are subtracted from assets; the value of the owner’s investment in the business
* Balance sheet-a report that lists a company’s assets, liabilities, and owner’s equity
* Income statement-a report of revenue, expenses, and net income or loss from operations for a specific period
* Payroll-the financial record of employee compensation, deductions, and net pay
* Payroll record-a financial document that contains information on all employees of the company, their compensation, and benefits
* Direct deposit-funds are deposited electronically and available automatically for your use
* Financial performance ratios-comparisons of a company’s financial elements that indicate how well the business is performing
* Discrepancies-differences between actual and budgeted performance
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| **Materials/Specialized Equipment Needed** | 1. Budget for a Franchise Assignment #1
2. Budget for a Franchise Assignment #1 Rubric
3. Design an Informative Brochure Assignment #2
4. Design an Informative Brochure Assignment #2 Rubric
5. Income Statement Game Assignment #3
6. Income Statement Game Assignment #3 Rubric
7. Internet
8. Construction paper
9. Scissors and glue
10. Poster board
11. Newspapers
12. Computers for students to complete projects
13. Projector for PPT
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| **Anticipatory Set**(May include pre-assessment for prior knowledge) | 1. Outline the organizational structure of the school and discuss the different positions with students. Create an organizational chart on the board. Students will gain a better understanding of organizational charts for businesses.
2. Southwest Airlines believes that satisfied, happy employees are essential for successful businesses. What are the advantages of a company having happy employees?
3. Ask students to list how they would spend $20 today without going over budget. Check if any of the students choose to save some of the $20 for an emergency. Then explain why it is essential for businesses to pay close attention to projected income and expenses on the Income Statement.
4. Ask students to list all the things they paid for over the past week. If money didn’t exist, how would they pay for them? How did the students compare the costs of different products?
5. Ask students to research the current value of the dollar against the currencies of three different countries. Then ask students to chart the value of the currencies for an extended period. Ask students to explain how the changing values of different currencies affect the U.S. economy.
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| **Direct Instruction \*** | 1. Financial Questions a Business Must Answer (**NOTE**: Over 50% of new businesses fail within five years. One of the biggest reasons for failure is not enough start-up funds. Cash flow is huge for a business.)
	1. How much money is needed for start-up?
	2. Where to obtain financing?
	3. How will funds be obtained to run the business for the months or years until it becomes profitable?
	4. What will be the best sources of sales and other income?
	5. What will be the expenses and when will they be paid?
2. Four Steps for Budget Preparation (**NOTE:** Successful businesses and individuals prepare and follow a budget. Tell students to prepare a personal budget based upon $1,200 of income per month and no financial aid from other sources.)
	1. Prepare a list of income and expenses.
	2. Gather accurate information for each income and expense.
	3. Create the budget by calculating each type of income, expense, and amount of net income or loss.
	4. Show and explain the budget to people who need financial information to make decisions.
3. Three Types of Business Budgets (**NOTE:** Ask students to define cash flow. Then explain why cash flow is so important to businesses. Also explain why businesses count on a line of credit for operation.)
	1. Start-Up Budget
	2. Operating Budget
	3. Cash Budget
4. Financial Records and Financial Statements (**NOTE**: Explain why it is important for a business or individual to have more assets than liabilities. Explain why the government requires businesses to maintain accurate business records for taxes. Payroll records are not only important for individuals but also the government to keep track of personal income taxes.)
	1. Recognize and analyze the financial performance of a business
		1. Asset
		2. depreciation
		3. inventory
		4. account
		5. cash
		6. payroll
		7. tax records
	2. Important Financial Statements
		1. Income Statement-revenue, expenses
		2. Balance Sheet-assets, liabilities, net worth
	3. Financial Performance Ratios
		1. Current Ratio (current assets/current liabilities)
		2. Debt to Equity Ratio (total liabilities/owner’s equity)
		3. Return on Equity Ratio (net profit/owner’s equity)
		4. Net Income Ratio (total sales/net income)
5. Payroll Management (**NOTE:** Show students a check stub that lists a variety of deductions. Explain each deduction.)
	1. Financial records of employee compensation, deductions, and net pay
	2. Information on each employee to calculate the company’s payroll and to make the necessary payments to each employee
	3. Payroll record-form used to document each employee’s pay history
		1. name of employee
		2. social security number
		3. address
		4. tax and benefit records
6. Financial Decision-Making (**NOTE**: Explain how financial statements tell others about the strength of a company. The financial statements begin with the company’s budget. Investors, the government, shareholders, and others look at financial statements to determine the strength of a company.)
	1. Company Strength-assets, liabilities, owner’s equity, sales, profits
	2. calculate financial performance ratios to make decisions that result in the wise use of the company’s money
	3. Steps in Financial Decision Making
		1. prepare a budget
		2. use the budget as a guide to the operations of the business
		3. Make needed adjustments
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| **Guided Practice \*** | Ask students to determine the health of theeconomy by looking at the financial state of our government. Then explain how businesses respond to different economic conditions. Also discuss how the employment rate is affected by the economy and government actions. Impress upon students the importance of monitoring government activity and electing officials who are pro-business. |
| **Independent Practice/Laboratory Experience/Differentiated Activities \*** | 1. **Budget for a Franchise Assignment:** Conduct research about a franchise todetermine the amount of start-up money necessary to operate the business. Then prepare a PowerPoint presentation that explains the franchise process, financial requirements, and start-up money needed for the business. The presentation will be evaluated using the assigned rubric.
2. **Design an Informative Brochure Assignment:** Ask students to design aninformative brochure that accurately describes the difference between an Income Statement and a Balance Sheet. The brochure should include examples of real businesses. The brochure will be evaluated using the assigned rubric.
	1. **Income Statement Game Assignment:** Split the class into groups of two. Put alarge blank Income Statement poster on the wall. Ask students to make cards for different accounts that appear on an income statement. Each card should have an account name and an amount. Each group should make 2 revenue cards and 4 expense cards. Divide the class into two teams; students from each team will take turns drawing a card from the deck and placing it in the correct section of the income statement. Each correct answer earns the team one point. The game will be evaluated using the assigned rubric.
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| **Lesson Closure** | 1. What is the basic financial equation for businesses?
2. The basic financial equation is (Revenue-Expense=Profit or Loss).
3. What are the three types of budgets needed by all businesses?
4. The three business budgets include start-up, operating, and cash.
5. What are the four steps in preparing a budget?

**A:** The four steps include listing expenses and income; gathering accurate information from business records; creating the budget by calculating each type of income; expense, and the amount of net income/loss; and explain the budget to people who need financial information to make decisions1. How has the process of maintaining financial records been affected by technology?
2. Technology allows point-of-production and point-of-sale to enter data. Technology has made financial record keeping more efficient.
3. What is the difference between a balance sheet and an income statement?
4. The balance sheet shows assets, liabilities, and net worth. The income statement shows income, expenses, and net loss/net profit.
5. What are four financial performance ratios used by managers to determine the financial well-being of a business?
6. The four ratios are current ratio, debt to equity ratio, return on equity ratio, and net income ratio.
7. What are three steps in financial decision-making?
8. Three steps in financial decision-making include preparing a budget, use the budget to operate the business, and make needed adjustments.

**DIRECT DEPOSIT**Direct deposit for employee paychecks saves businesses and banks a large amount of time and money. Some employees are still reluctant to use it. What are some reasons people may not want to use this system? Prepare a short PowerPoint presentation to encourage employees to sign up for direct deposit. This presentation will be evaluated using the assigned rubric. |
| **Summative / End of Lesson Assessment \*** | **Informal Assessment:**1. Instructor will observe students during Independent Practice.
2. Instructor will assist students as needed.

**Formal Assessment:**Assigned Rubrics will be used to assess assignments 1, 2, and 3 for Independent Practice (LSI Quadrant III). A rubric will also be used to evaluate the “DIRECT DEPOSIT” assignment. |
| **References/Resources/****Teacher Preparation** | 1. Accounting: Real World Applications & Connections, Glencoe McGraw-Hill
2. Intro to Business, Dlabay Burrow Klendl, South-Western Cengage Learning
3. Online Resources: globaledge.msu.edu, worldnetdaily.com/news/article
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| **Additional Required Components** |
| **English Language Proficiency Standards (ELPS) Strategies** |  |
| **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) | 1. Students will interview a financial manager to determine what the institution looks at when determining whether to grant a start-up business a loan. Students will then produce a quick guide for start-up business owners to use when applying for a business loan.
2. Ask students to explain the difference between the W-2 and the W-4 forms in a payroll office. Then ask students to explain why the W-2 form is important to the federal government.
3. Terms of Understanding: Ask students to write a three-paragraph paper that incorporates all the important terms listed in this lesson. The sentences incorporating the terms must demonstrate the student’s understanding of the terms.
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| **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)