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| **TEXAS CTE LESSON PLAN**[www.txcte.org](http://www.txcte.org) |
| **Lesson Identification and TEKS Addressed** |
| **Career Cluster** | Finance |
| **Course Name** | Accounting I |
| **Lesson/Unit Title** | Forming and Dissolving Businesses |
| **TEKS Student Expectations** | **130.187 (c) Knowledge and Skills**(1) The student demonstrates professional standards/employability skills as required by business and industry. The student is expected to:(A) demonstrate effective oral and written communication skills(B) The student is expected to perform numerical and arithmetic applications |
| **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 demonstrate knowledge about forming and dissolving businesses formed as sole proprietorships, partnerships, and corporations.**Behavioral Objectives:*** Explain the legal requirements for forming a proprietorship, a partnership, and a corporation.
* Analyze and journalize transactions that liquidate the assets of sole proprietorships, partnerships and corporations.
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| **Rationale** | A business is a legal function in that the law recognizes the business entity as if it were an individual person. Business come into existence through a legal document required and filed by the state (e.g. Articles of Incorporation for a corporation). The decision to dissolve a business is rarely easy and can only be made by paying its outstanding debts, liquidating assets, and then filing another legal document required by the state for dissolving the business (e.g. Articles of Dissolution for a corporation). This lesson will discuss and show how to legally form various types of business, as well as how to analyze and journalize transactions that liquidate the assets of these types of businesses. |
| **Duration of Lesson** | Teacher’s Discretion |
| **Word Wall/Key Vocabulary***(ELPS c1a, c, f; c2b; c3a, b, d; c4c; c5b) PDAS II (5)* |  |
| **Materials/Specialized Equipment Needed** | **Materials, Equipment, and Resources:*** Textbook
* Internet
* Journal Input Forms
* Poster board
* Markers
* Guest Speaker
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| **Anticipatory Set**(May include pre-assessment for prior knowledge) |  |
| **Direct Instruction \*** | The lesson includes instruction and demonstration on the journal entries to liquidate partnerships. Students are given opportunities to learn about the legal requirements for starting businesses of different forms.**Activity 7.11.1 – Legal Requirements for Forming Businesses**Purpose: Gain knowledge in the legal requirements for forming sole proprietorships, partnerships, and corporations.1. Ask students to listen to an attorney or someone from a small business center about the legal requirements for forming different forms of businesses. You might also want to ask the guest speaker to address any legal requirements in dissolving businesses.
2. Have your students write the guest speaker a thank you letter. In the letter, have them include a review of at least one legal requirement the speaker discussed for each form of business.

**Activity 7.11.2 – Analyzing and Journalizing Dissolution Transactions**Purpose: Demonstrate skill in analyzing and journalizing dissolution transactions.Demonstrate these transactions:1. Sole Proprietorship:
	* A business decided to close its doors. After the last closing entries, the account balances were: Cash $6,200.00, Supplies $1,001.00, Accounts Payable $2,200.00 and Capital $5,021.
	* Transaction 1: Sold non-cash items: The Supplies were sold at $545.00. Debit the receipt of $545.00 cash. Credit Supplies for their book value of

$1,001.00. But what happens to the loss. Debit the capital account to subtract from your investment $456.00.* + Transaction 2: Next the creditors must be paid. Debit the Accounts Payable for $2,200.00 and credit Cash for $2,200.00. Also debit each individual creditor in the subsidiary ledger.
	+ Transaction 3: The remaining cash goes to the owner. Debit the capital account for the remaining cash amount and credit Cash.

Enter these entries into a journal input form.1. Partnership:
	* The partnership of Antique Rose Emporium decided to liquidate. The owners Jeff and John James had these account balances. Cash, $3,030.00, Equipment, $5,900.00, Accum. Depr. —Equipment, $900.00, Accounts Payable $5,000.00, Jeff James, Capital $1,515.00, John James $1,515.00.
	* Transaction 1. Received $7,000.00 from sale of equipment. Equipment is valued at $5,000.00 so the business gained $2,000 on the sale. Debit cash for $7,000.00, credit Equipment for $5,900.00, debit Accum. Depr. —Equipment $900.00, and a credit to each of the capital accounts for $1,000.00. Enter this transaction in a journal input form.
	* Transaction 2: Paid cash to creditors. Debit Accounts Payable $5,000.00 and credit cash $5,000.00. Each of the subsidiary accounts also need to be debited. Enter this transaction in a journal input form.
	* Transaction 3: Distribute the remaining cash to the owner’s capital accounts. Debit each of their capital accounts for half the remaining cash and credit cash for the entire remaining cash. Enter this transaction in a journal input form.

**Activity 7.11.3 – Summary of Dissolving Activities**Purpose: Demonstration knowledge of correct accounting procedures for dissolving of all forms of businesses.Have your students break into teams of 3 or 4 students. Assign different teams sole proprietorships, partnerships, or corporations. Ask your students to create two posters and demonstrate in enumerated format the steps for forming their form of business (1st poster) and dissolving their form of business (2nd poster.)*Individualized Education Plan (IEP) for all special education students must be followed. Examples of accommodations may include, but are not limited to:*NONE |
| **Guided Practice \*** | * Observation
* Verbal Drills

*Individualized Education Plan (IEP) for all special education students must be followed. Examples of accommodations may include, but are not limited to:*NONE |
| **Independent Practice/Laboratory Experience/Differentiated Activities \*** |  |
| **Lesson Closure** |  |
| **Summative/End of Lesson Assessment \***  | * Observation
* Graded Assignments

*Individualized Education Plan (IEP) for all special education students must be followed. Examples of accommodations may include, but are not limited to:*NONE |
| **References/Resources/****Teacher Preparation** | Textbooks:Guerrieri, Donald J., Haber, Hoyt, Turner. Glencoe Accounting Real- World Applications and Connections. Glencoe McGraw-Hill 2000. ISBN/ISSN 0-02-815004-X.Ross, Kenton, Gilbertson, Lehman, and Hanson. Century 21 Accounting Multicolumn Journal Anniversary Edition, 1st Year Course. South- Western Educational and Professional Publishing, 2003.ISBN/ISSN: 0-538-43524-0Ross, Kenton, Gilbertson, Lehman, and Hanson. Century 21 General Journal Accounting Anniversary Edition, 7th Edition. South- Western Educational and Professional Publishing, 2003.ISBN/ISSN: 0-538-43529-1.Business Partners:Corporate Attorney |
| **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) |  |
| **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)