Business &   **Brunswick School Department**
Computer Science   **Accounting**
Financial Statements for a Corporation

Essential Understandings	▪ The two major differences between the financial statements prepared for a service and a merchandising business organized as a corporation are the need to account for merchandise inventory and report changes in stockholder equity.
Essential Questions	▪ What is an income statement? ▪ What are the sections of an income statement? ▪ What is the statement of a stockholder's equity? ▪ What are the sections of a stockholder's equity? ▪ What is a balance sheet? ▪ What are the sections of a balance sheet?
Essential Knowledge	▪ An income statement is used to report a business's financial progress during the fiscal period. ▪ Merchandising businesses report revenue, cost of merchandise sold, gross profit on sales, expenses and net income or loss on the income statement. ▪ A balance sheet reports a corporation's assets, liabilities, and stockholder's equity on a specific date. ▪ The information used to prepare a balance sheet comes from the worksheet balance sheet section and the owner's equity section. • The sections of the balance sheet are heading, assets (current and planned), liabilities (current and long-term), and stockholder's equity. ▪ The sections of the income statement are revenue, cost of merchandise sold, expenses, and net income or loss. ▪ The statement of stockholder's equity is a financial statement that shows changes in a corporation's ownership for the fiscal period. o The three sections of the statement of stockholder's equity are heading, capital stock, and retained earnings.
Vocabulary	▪ Terms: o net sales, cost of merchandise sold, gross profit on sales, financial ratio, earnings per share, price-earnings ratio, statement of stockholder's equity, par value, current liabilities, long-term liabilities, supporting schedule

Essential Skills	- Define accounting terms related to financial statements for a merchandising business organized as a corporation. - Identify accounting concepts and practices. - Prepare an income statement for a merchandising business. - Analyze an income statement using the component percentages and financial ratios. - Prepare a statement of stockholders' equity for a merchandising business organized as a corporation. - Prepare a balance sheet for a merchandising business organized as a corporation.

Related Maine Learning Results	<u>Career and Education Development</u>
	B. Learning About and Exploring Education, Career, and Life Roles
	 B2. Skills for Individual/Personal Success in the 21st Century
	  Students evaluate strategies to improve skills that lead to lifelong learning and success in the classroom, and the achievement of schoolwork, work and career, and personal life goals.
	  a. Literacy skills
	  b. Numeracy
	  c. Critical thinking skills
	  d. Information and communication technology (ICT) literacy
	  e. Interpersonal skills
	  f. Other academic skills and knowledge
	<u>Mathematics</u>
	B. Data
	 Data Analysis
	 B2. Students understand correlation and cause and effect.
	  a. Recognize when correlation has been confused with cause and effect.
	  b. Create and interpret scatter plots and estimate correlation and lines of best fit.
	  c. Recognize positive and negative correlations based on data from a table or scatter plot.
	  d. Estimate the strength of correlation based upon a scatter plot.
	 B3. Students understand and know how to describe distributions and find and use descriptive statistics for a set of data.
	  a. Find and apply range, quartiles, mean absolute deviation, and standard deviation (using technology) of a set of data.
	  b. *Interpret*, give examples of, and describe key differences among different types of distributions: uniform, normal, and skewed.
	  c. For the sample mean of normal distributions, use the standard deviation for a group of observations to establish 90%, 95%, or 99% confidence intervals.

Related Maine Learning Results	B4. Students understand the purpose of random sampling is to reduce bias when creating a representative sample for a set of data.
	  a. Describe and account for the difference between sample statistics and statistics describing the distribution of the entire population.
	  b. Recognize that sample statistics produce *estimates* for the distribution of an entire population and recognize that larger sample sizes will produce more reliable *estimates*.
	  c. Apply methods of *creating* random samples and recognize possible sources of bias in samples.
	Probability
	B5. Students understand the relationship to relative frequency and know how to find the probability of compound events.
	  a. Find the expected frequency of an event.
	  b. Find the expected value of events.
	  c. Find the probability of compound events including independent and dependent events.
	D. Algebra
	Symbols and Expressions
	D1. Students understand and use polynomials and expressions with rational exponents.
	  a. Simplify expressions including those with rational exponents.
	  b. Add, subtract, and multiply polynomials.
	  c. Factor the common term out of polynomial expressions.
	  d. Divide polynomials by $(ax + b)$.
	Equations and Inequalities
	D2. Students solve families of equations and inequalities.
	  a. Solve systems of linear equations and inequalities in two unknowns and interpret their graphs.
	  b. Solve quadratic equations graphically, by factoring in cases where factoring is efficient, and by applying the quadratic formula.
	  c. Solve simple rational equations.
	  d. Solve absolute value equations and inequalities and interpret the results.
	  e. Apply the understanding that the solution(s) to equations of the form $f(x) = g(x)$ are the x–value(s) of the point(s) of intersection of the graphs of $f(x)$ and $g(x)$ and common outputs in table of values.
	  f. Explain why the coordinates of the point of intersection of the lines represented by a system of equations is its solution and apply this understanding to solving problems.

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Related Maine Learning Results	Functions and Relations
	D4.Students understand and interpret characteristics of functions using graphs, tables, and algebraic techniques.
	  a. Recognize the graphs and sketch graphs of the basic functions.
	  b. Apply functions from these families to problem situations.
	  c. Use concepts such as domain, range, zeros, intercepts, and maximum and minimum values.
	  d. Use the concepts of average rate of change (table of values) and increasing and decreasing over intervals, and use these characteristics to compare functions.
	D5. Students express relationships recursively and use iterative methods to solve problems.
	  a. Express the $(n+1)^{st}$ term in terms of the n term and describe relationships in terms of a starting point and rule followed to transform one term to the next.
	  b. Use technology to perform repeated calculations to develop solutions to real life problems involving linear, exponential, and other patterns of change.

Sample Lessons And Activities	▪ Use the internet to find a financial statement of a business or corporation. Be prepared to discuss the statement in class. ▪ Complete end of fiscal period statements.
Sample Classroom Assessment Methods	▪ Test ▪ Quiz ▪ Class Work ▪ Assignments
Sample Resources	▪ <u>Publications:</u> o <u>Century 21 Accounting</u> – Southwest Cengage Learning