

**CONTENTS: Introduction to Financial Accounting
BAF3M**

Page No.

READING STRATEGIES

Getting Ready to Read:

Previewing a Text	2
Student Resource: Complete the Prompts for Your Accounting Text	4

WRITING STRATEGIES:

Writing for a Purpose :

Writing an Explanation	6
Student Resource : Writing an Explanation Template	8
Student/Teacher Resource : Generally Accepted Accounting Principles summary page	9

Writing for a Purpose :

Business-style Report (2 pages)	10
Student Resource : Business-style report template with questions	12
Student Resource : Business-style Report blank	13

ORAL COMMUNICATION:

Small Group Discussions :

Jigsaw	14
Student Resource : Special Journal Guide sheet	16
Student resource : Sample Transactions	17
Teacher Resource : Solutions to Sample Transactions	18

Whole Class Discussions :

Four Corners	20
Teacher Resource : Four Corners Diagram	22
Student Resource : XYZ Company Balance Sheet	23
Student Resource : XYZ Company Income Statement	24
Teacher Resource : XYZ Company Financial Analysis and comments	25

Getting Ready to Read: Previewing a Text

INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11

A well-designed textbook, website or other print resource has a variety of elements or features that are applied consistently to help the reader locate and use the material. Some texts have more of these features and clearer cues than others. Previewing a course text can help students to identify the text features and use them efficiently.

Purpose

- Learn how to navigate an accounting textbook.
- Examine the layout and features of an accounting text and how to use it.

Payoff

- become familiar with the accounting text and resources (print and electronic).
- use strategies for effectively previewing and locating information in the text, using the table of contents, indices and/or navigation bar.

Tips and Resources

- Accounting texts have evolved to the point where they can be used in a classroom environment or by a student on their own. Each text includes a variety of learning materials: theory, notes and terms (often in the margin), illustrations, review questions and exercises, case studies, career explorations, and computer-related activities.
- While teachers can and should supplement their course with current events from the media, today's accounting texts are full of features that can lead to effective learning. Rarely do teachers use all of the features in the text. Teachers should encourage the reading of the text beyond merely the exercises.
- Create an "audit" test to check students' reading of the material prior to lessons. Encourage problem-solving using reading as the focus.

Further Support

- Encourage students to preview the features of a text before they read the content. Have partners share their previewing strategies.
- Have students create text search prompts for other course-related materials.



Getting Ready to Read: Previewing a Text

INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11

What teachers do	What students do
<p>Before</p> <ul style="list-style-type: none"> Read the text. Create a text search handout. Use ten to twelve prompts to guide students to particular features of the text (e.g., “List the number of chapters in this textbook.” “Locate information about the role of accountants.” “Where do you find a summary of each chapter?” “Are review questions located at the end of each chapter only?”). Complete a prompt with the students as a guide. 	<ul style="list-style-type: none"> Read the prompts and ask clarifying questions about the task.
<p>During</p> <ul style="list-style-type: none"> Ask students to work in pairs to complete the search within a specific time frame. Have partners share their findings with another pair. 	<ul style="list-style-type: none"> Read the prompts and record answers. Share answers with a partner, filling in incomplete prompts.
<p>After</p> <ul style="list-style-type: none"> Discuss which items were easy and which items were challenging to find. Ask students to suggest which features of text were very helpful and not very helpful and which features should be added to the text. Ask students to use the text features to complete a relevant reading task. 	<ul style="list-style-type: none"> Identify the easy and challenging prompts. Identify the features of the text they used most often to complete the task.

Notes



Getting Ready to Read: **Previewing a Text**

INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11

Complete the prompts for your accounting text:

1. How many chapters are in the text? _____
2. What colour is used for illustrations of accounting data and forms? _____
3. Each chapter is further sub-divided into _____.
4. To read about a career profile, you would navigate to the _____ of a chapter.
5. The margins of the pages include these types of information:
_____ (e.g., definitions, terms).
6. In this text, real life examples are known as _____ and can be found at the _____ of the chapter.
7. Chapter _____ shows the first profile of a chartered accountant.
8. A graphic of the accounting cycle can be found on page _____.
9. If this text specifically mentions a software accounting program, which is it?

10. A summary of proper posting procedure can be found on page _____.
11. Reference to merchandising first appears in chapter _____.
12. If you needed the definition of a specific term and didn't know which chapter it was in, you would go to the _____ section of the text on page _____.
13. An example of the career option of a Certified General Accountant (CGA) or Certified Management Accountant (CMA) is first encountered in chapter _____.





Writing for a Purpose: Writing an Explanation

INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11

Students will select a Generally Accepted Accounting Principle and write an explanation of it according to a set of questions developed by the teacher.

Purpose

- Students will write a detailed explanation of one of the Generally Accepted Accounting Principles (GAAPs) to further their understanding of them.

Payoff

- a better connection between the daily journalizing and decision making done in an accounting class and the use of GAAPs to guide those decisions.

Tips and Resources

- Students are introduced to GAAPs early in an accounting course. Often they are faced with decisions when preparing, for example, journal entries and statements. They need to use and apply GAAPs on a daily basis to become better problem solvers. Having students write an explanation on a GAAP will further their appreciation and understanding of the role of GAAPs in accounting.
- Virtually any accounting text will have an introductory explanation of GAAPs and perhaps devote an entire chapter to the topic. Students should be encouraged to go beyond the text to research their particular GAAP: internet, magazines from the three accounting organizations (CA, CMA, CGA) and a phone call to a local accounting firm.
- In addition to the three organizations' websites, students should research post-secondary institutions for ideas, as many professors maintain course websites with extremely useful information.
- A brief summary of the GAAPs is included as both a teacher and student resource.

Further Support

- The three major accounting organizations (CA, CMA, CGA) all have educational arms that provide support and information to high schools. The individuals responsible can be identified on their websites or through the Business Studies Subject Association's website.



Writing for a Purpose: Writing an Explanation

INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11

What teachers do	What students do
<p>Before</p> <ul style="list-style-type: none"> • Make a list of Generally Accepted Accounting Principles (GAAPs) suitable to the grade 11 accounting course. • Decide on a set of questions which will further the students understanding of a GAAP. • Prepare the questions. • Have students read the text-based information on GAAPs. • Obtain the use of a computer lab for one period. 	<ul style="list-style-type: none"> • Read the text-based information on GAAPs. • Select a GAAP they would like to learn more about. (More than one student may be working on the same GAAP as in all likelihood there won't be enough for a unique GAAP for each student.)
<p>During</p> <ul style="list-style-type: none"> • Hand out the <i>Writing an Explanation</i> template. • Have students commit to a particular GAAP. • Circulate during lab time to help students find information on the GAAP they have selected. • Collect and evaluate the explanation. 	<ul style="list-style-type: none"> • Research the GAAP according to the <i>Writing an Explanation</i> template. • Go beyond the internet and text if necessary by contacting a local accounting firm for help. • Write the explanation.
<p>After</p> <ul style="list-style-type: none"> • An oral presentation of the GAAPs can be suggested with a separate evaluation. 	<ul style="list-style-type: none"> • Prepare and perform a brief presentation on the GAAP. • Students doing the same GAAP can be grouped.

Notes



Writing for a Purpose: **Writing an Explanation**

INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES *WRITING AN EXPLANATION TEMPLATE*

TOPIC : _____

Introduction :

- What is the GAAP?
- Why is it important?

Definition :

- Define the GAAP in detail.

Application

- To what areas of accounting is the GAAP most often applied?
- Give examples.

Summary :

- What did you learn while researching this GAAP?



Writing for a Purpose: Writing an Explanation

INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

BUSINESS ENTITY CONCEPT	The accounting for a business or organization is kept separate from the personal affairs of its owner, other business or organization.
CONTINUING CONCERN CONCEPT	Assumes that a business will continue to operate unless it is known otherwise.
PRINCIPLE OF CONSERVATISM	The accounting for a business should be fair and reasonable. The results should not overstate nor understate the affairs of the business.
OBJECTIVITY PRINCIPLE	The accounting will be recorded on objective evidence. Different people looking at the evidence will arrive at the same value for the transaction.
REVENUE RECOGNITION CONVENTION	Revenue should be taken into account at the time the transaction is completed.
MATCHING PRINCIPLE	Each expense related to revenue earned must be recorded in the same accounting period as the revenue it helped to earn.
TIME PERIOD CONCEPT	Accounting takes place over specific time periods known as fiscal periods. The fiscal periods should be of equal length when used to measure the financial progress of the business.
COST PRINCIPLE	Accounting for purchases must be recorded at their cost price.
CONSISTENCY PRINCIPLE	Accountants should apply the same methods and procedures from period to period. When changes are made, they must be explained clearly on the financial statements.
MATERIALITY PRINCIPLE	Accountants are required to use GAAPs except when it would be expensive or difficult and when it makes no real difference if the rules are ignored.
FULL DISCLOSURE PRINCIPLE	Any and all information that affects the full understanding of a company's financial statements must be included with the financial statements.



Writing for a Purpose: **Business-style Report**

INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11 (Objectives of Accounting)

When students can get the “picture” of a form of writing in their heads, they feel more confident about creating the final product. A *template* or framework is a skeletal structure for a writing form that allows students to organize their thoughts and researched information in order to write a first draft. In this lesson they will use a business-style template to prepare a report on one of the three major accounting organizations.

Purpose

- Provide students with a template to help them organize information before drafting a report on an accounting organization.

Payoff

- learn the common expectations for the form and components of a business-style report.
- organize their writing and ensure that it meets the requirements of the assignment.

Tips and Resources

- In order for students to understand how to construct a business-style report, they first need to understand the expectations of the assignment. These are contained in a handout to the students. The handout includes the length of the report, use of headings, and expectations regarding the use of referencing of sources.
- Each of the three major organizations provides numerous resources, including handouts and flyers. Contact the educational representatives either through the websites or the subject association.
- Use examples from the Ontario Curriculum Exemplars.
- See the explanation and template for writing in a particular form in the following resource:

- *Business-Style Report Template.*

Further Support

- Each of the three main accounting organizations has individuals willing to assist and send guest speakers. This can be arranged by visiting their websites.



Writing for a Purpose: Business-style Report

**INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11
(Objectives of Accounting)**

Notes

What teachers do	What students do
<p>Before</p> <ul style="list-style-type: none"> • Obtain the handouts freely distributed by the accounting organizations. • Prepare a handout outlining the requirements of the writing assignment. • Research each of the three main accounting organizations (CA, CGA, CMA) and determine the amount and type of information that is attainable. • Develop a template with points outlining the minimum requirements of the report. • Obtain the use of a computer lab for one period. 	<ul style="list-style-type: none"> • Read handouts provided by the three accounting organizations. • Select one that is interesting to them.
<p>During</p> <ul style="list-style-type: none"> • Introduce the report. • Briefly discuss the three organizations (CA, CGA, CMA) and their respective roles in the accounting profession. • Circulate a list of the appropriate website addresses (or let the students research these for themselves). • Ask to see a completed template in a point form list. 	<ul style="list-style-type: none"> • Research the organization. • Complete the template. • Write the report.
<p>After</p> <ul style="list-style-type: none"> • Brief presentations on various parts of the reports will help the students learn about the other two organizations in addition to their own. 	<ul style="list-style-type: none"> • Present findings to the class.



Writing for a Purpose: Business-style Report

INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11 (Objectives of Accounting)

BUSINESS-STYLE REPORT

Task: Prepare a business-style report using the headings below. Use proper sentence and paragraph structure. Use the school's approved method for referencing of sources.

EXECUTIVE SUMMARY

- Three to five sentences summarizing the key findings of the report.
- Do not write an introduction here!

INTRODUCTION

- What is the name of the organization? (Acronym and complete version, e.g., CGA, Certified General Accountants Association of Canada)
- How long has it been in existence?
- Number of members?
- What is its main goal?

SERVICES

- What services does the organization provide to its members?

BECOMING A _____ (replace with the appropriate acronym)

- What are the educational requirements for membership?
- What are the work-related requirements? (e.g., how many years of work experience is required in addition to the educational requirements?)

CURRENT EVENTS

- Discuss several key events that have occurred in relation to this organization.

CONCLUSION

- Give your overall impression of the organization in no more than three sentences.



Student Resource

Writing for a Purpose: Business-style Report

**INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11
(Objectives of Accounting)**

BUSINESS-STYLE REPORT TEMPLATE (BLANK)

EXECUTIVE SUMMARY

INTRODUCTION

SERVICES

BECOMING A _____ (replace with the appropriate acronym, e.g., CA, CGA, CMA)

CURRENT EVENTS

CONCLUSION

Small group Discussions: Jigsaw

**INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11
(Accounting Fundamentals)**

Jigsaw is a complex form of cooperative learning and it is important that students have experience with small group learning skills before they are involved in jigsaw. Jigsaw is a cooperative learning technique that provides students with an opportunity to actively help each other in their learning. Each student is assigned to a “home group” of three to five, and an “expert group” consisting of members from different home groups. Students meet in their expert group to discuss specific ideas or solve problems. They then return to their home group, where all members share their expert knowledge.

Purpose

- Teach themselves a particular special journal in their home groups.
- Be placed in expert groups to orally and visually demonstrate the uses of special journals.

Payoff

- increase their comprehension and have a compelling reason for communication.
- receive support and clarification from other students.
- share responsibility for each other’s learning as they use critical thinking and social skills to accomplish the learning task.
- gain self-confidence through their contributions to the group effort.

Tips and Resources

- Create mixed-ability expert groups so that students of varying skills and abilities have the opportunity to learn from each other as they become experts on the material.
- Prepare a summary chart to guide students in organizing the experts’ information into a cohesive and meaningful whole.
- As another option, have the expert groups make presentations to the entire class on their section of the reading material. During the presentations, each student takes cumulative notes or fills in an information organizer, resulting in a complete picture of the reading when all of the presentations have been completed.
- Bristol board is also an option.

Further Support

- Circulate to ensure that groups are on task and managing their work well. Ask groups to stop and think about how they are checking for everyone’s understanding and ensuring that everyone’s voice is heard.



Small group Discussions: Jigsaw

**INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11
(Accounting Fundamentals)**

What teachers do	What students do
<p>Before</p> <ul style="list-style-type: none"> • Conduct a review lesson on different needs from an accounting system for different sizes of business. • A medium to large business may have many repetitive transactions, making the general journal a less than useful book. • Ask students to suggest which journal entries are often repeated; the answers should include cash sales, sales on credit, cash payments and purchases. • Suggest how a business may save time and money by using alternate forms; again the answers may include allowing individual workers to specialize in certain roles, such as making cash payments. • Provide a guide sheet to each of five groups and let them do a brief exercise using accounting paper available in workbooks. • Prepare a set of journal entries. • Prepare a set of journal entries for each expert group. • Assign each student to a “home group” of three to five students • Assign each student to an “expert group,” with a focus on a particular segment of the task. 	<ul style="list-style-type: none"> • Suggest journal entries that are repetitive. • Suggest ideas on how to make an accounting system more efficient and effective by specialization.
<p>During</p> <ul style="list-style-type: none"> • Students are placed in five expert groups, one each for Cash Receipts, Cash Payments, Sales, Purchases and General Journal. • Circulate to answer questions. • Encourage problem-solving rather than providing the answer each time a question is asked. • Ask students to explain the relationship between the journals. 	<ul style="list-style-type: none"> • A sample set of journal entries are done to facilitate understanding of particular journal. • Once mastery has been achieved, students go to a home group, with each of the experts delivering an oral lesson on the particular journal. • Students complete the assignments in each journal.
<p>After</p> <ul style="list-style-type: none"> • Review the key points of each special journal. • Relate the need for special journals to a computerized accounting system. • Time permitting, introduce a multi-column (or synoptic) journal. 	<ul style="list-style-type: none"> • Use a computer accounting software program to complete the same transactions above. • Identify the similarities in the software program with the manual system. • Have students create their own multi-column journal.

Notes



Small group Discussions: Jigsaw

**INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11
(Accounting Fundamentals)**

Special Journal Guide Sheet

CASH RECEIPTS JOURNAL

- Record all cash received (key point)
- Cash is a single column with a debit heading
- Sales is a single column with a credit heading
- Accounts Receivable is single column with a credit heading
- Total all account columns
- Post to ledger from totals of account columns only
- Post entries to Other column separately

CASH PAYMENTS JOURNAL

- Record all payments made on account (key point)
- Cash is a single column with a credit heading
- Accounts Payable is a single column with a debit heading
- Total all account columns
- Post to ledger from totals of account columns only
- Post entries to Other column separately

SALES JOURNAL

- Record all sales on account
- Accounts Receivable is a single column with a debit heading
- Sales is a single column with a credit heading
- Total all account columns
- Post to ledger from totals of account columns only
- Post entries to Other column separately

PURCHASES JOURNAL

- Record all purchases on account
- Accounts Payable is a single column with a credit heading
- Total all account columns
- Post to ledger from totals of account columns only
- Post entries to Other column separately

GENERAL JOURNAL

- All other transactions

Note : Reversing entries can be done by going back to the original journal and circling all entries to indicate the opposite effect, e.g., debit in a credit column. Taxes can be incorporated via the column headings, or ignored if a shorter lesson is preferred.



Student Resource

Small group Discussions: **Jigsaw**

INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11 (Accounting Fundamentals)

Sample Transactions:

Cash Receipts

- June 7 Cash Sales totaled \$1200 for the week.
- 10 A customer paid \$200 owing on account.
- 14 Cash Sales totaled \$1500 for the week.
- 17 A \$500 sale is made; customer pays half in cash.

Cash Payments

- June 5 Paid supplier \$600 on account.
- 9 Purchased computer for office, \$1300 cash.
- 15 Paid supplier \$950 on account.
- 23 Paid provincial government taxes owing, \$3700.

Sales Journal

- June 9 Sale on account, \$2900.
- 16 Sale on account, \$1100.
- 17 Sale on account, \$2750.
- 24 Return on account, \$860.

Purchases Journal

- June 4 Bought supplies for office, \$230 on account.
- 8 Bought merchandise on account, \$3000 (Hint: use Inventory if perpetual, Purchases if periodic)
- 16 Bought merchandise on account, \$4400.
- 28 Returned \$500 worth of merchandise.

General Journal

- June 25 Owner provides a photocopier to the company valued at \$1000.



Small group Discussions: Jigsaw

**INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11
(Accounting Fundamentals)**

Solutions to Sample Transactions

Cash Receipts

- June 7 Cash Sales totaled \$1200 for the week. (debit Cash, credit Sales)
- 11 A customer paid \$200 owing on account. (debit Cash, credit A/R)
- 18 Cash Sales totaled \$1500 for the week. (debit Cash, credit Sales)
- 17 A \$500 sale is made; customer pays half in cash. (debit Cash 250, debit A/R 250, credit Sales 500)

Cash Payments

- June 5 Paid supplier \$600 on account. (debit A/P, credit Cash)
- 10 Purchased computer for office, \$1300 cash. (debit Office Equipment, credit Cash)
- 19 Paid supplier \$950 on account. (debit A/P, credit Cash)
- 25 Paid provincial government taxes owing, \$3700. (debit PST Payable, credit Cash)

Sales Journal

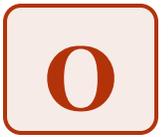
- June 9 Sale on account, \$2900. (debit A/R, credit Sales)
- 20 Sale on account, \$1100. (debit A/R, credit Sales)
- 21 Sale on account, \$2750. (debit A/R, credit Sales)
- 26 Return on account, \$860. (debit Sales or Sales Returns, credit A/R)

Purchases Journal

- June 4 Bought supplies for office, \$230 on account. (debit Supplies, credit A/P)
- 9 Bought merchandise on account, \$3000 (debit Inventory or Purchases, credit A/P)
- 17 Bought merchandise on account, \$4400. (debit Inventory or Purchases, credit A/P)
- 29 Returned \$500 worth of merchandise. (debit A/P, credit Inventory or Purchases or Purchase Returns)

General Journal

- June 25 Owner provides a photocopier to the company valued at \$1000. (debit Office Equipment, Credit Owner, Capital)



Whole Class Discussions: Four Corners

**INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11
(Financial Analysis, Control, and Decision Making)**

Students will individually consider the financial health of a company and choose an area of the room where they can join others who share their ideas.

Purpose

- Allow students to make a personal decision on the financial health of a company.
- Students will be encouraged to share their ideas.
- Facilitate whole-class discussion of the ideas and analysis.

Payoff

- students will be forced to make a decision based on their application of knowledge (e.g., financial analysis).
- speak freely in a relaxed environment.
- think creatively and critically.

Tips and Resources

- Have students write down their choice on the health of a company before any student discussion.
- The statement can be “The company is extremely healthy financially” or something to that affect.
- A sample balance sheet and income statement is attached to facilitate the initial decision and subsequent analysis and discussion.
- Copy the accounts listed to a spreadsheet and change the amounts to create different scenarios with the same accounts.
- Have students create their own scenarios (possibly using the internet for financial data) where pairs or groups of students can create and lead the four corners lesson.

Further Support

- Sample spreadsheets are available in your local subject association’s member curriculum libraries.
- Use those spreadsheets to quickly create different scenarios.



Whole Class Discussions: Four Corners

**INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11
(Financial Analysis, Control, and Decision Making)**

What teachers do	What students do
<p>Before</p> <ul style="list-style-type: none"> Find or create a balance sheet and income statement that will serve as supporting financial data. Make copies of the student/teacher resource or place on an overhead transparency. Analyze the well being of the company and decide on the question to be put to the class (e.g., “Is the XYZ Company is doing extremely well financially?”). Place four signs in each corner of the class: Agree, Strongly Agree, Disagree, and Strongly Disagree. 	<ul style="list-style-type: none"> Apply their financial analysis skills to questions posed by the text and their teacher. Read the financial statements, asking questions to clarify their understanding of the financial data.
<p>During</p> <ul style="list-style-type: none"> Allow students to view the sample company’s balance sheet and income statement. Direct students to decide which of the four corners they believe best represent the financial health of the company. Have students discuss the reasons for their decision (break down to smaller groups if necessary). 	<ul style="list-style-type: none"> Move to the corner that best describes their personal view on the financial health of XYZ Company. Engage in a exchange of ideas with the other members of their group, remaining open and communicative. Ensure everyone has a chance to speak. Prepare to speak to the class to justify their views.
<p>After</p> <ul style="list-style-type: none"> Call upon representatives (don’t select ahead of time) of various groups to share their information with the whole class. 	<ul style="list-style-type: none"> Highlight their group’s main points, using ratios, percentages, dollar figures, etc.. Mention areas of discrepancy within each group.





Whole Class Discussions: **Four Corners**

INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11
(Financial Analysis, Control, and Decision Making)

1
Strongly Agree

2
Agree

XYZ Company
is extremely
healthy
financially.

3
Disagree

4
Strongly Disagree



Student Resource

Whole Class Discussions: Four Corners

**INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11
(Financial Analysis, Control, and Decision Making)**

**XYZ Merchandising Co.
Balance Sheet
December 31, 200x**

ASSETS			
Current Assets			
Cash		\$3,900	
Accounts Receivable	\$4,800		
Less: Allowance for Bad Debts	600	4,200	
Inventory		38,555	
Supplies		1,500	
Prepaid Insurance		600	\$48,755
Fixed Assets			
Furniture and Equipment	\$27,800		
Accum. Depreciation	3,600	\$24,200	
Automobile	\$24,000		
Accum. Depreciation	6,900	17,100	41,300
Total Assets			\$ 90,055
LIABILITIES and EQUITY			
Current Liabilities			
Accounts Payable		\$8,965	
GST Payable	\$3,100		
GST Recoverable	2,240	860	
PST Payable		4,120	\$13,945
Long-term Liabilities			
Bank Loan			12,566
Total Liabilities			\$26,511
Owner's Equity			
John XYZ, Capital	\$65,339		
Less: Drawings	21,300	\$44,039	
Add: Net income (loss)		19,505	63,544
			\$90,055



Whole Class Discussions: Four Corners

INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11
(Financial Analysis, Control, and Decision Making)

XYZ Merchandising Co.
Income Statement
Year Ended December 31, 200x

Revenue		
Sales	\$175,000	
Less Sales Returns & Allowances	6,400	\$168,600
Service Revenue		6,700
Total Revenue		\$175,300
Cost of Goods Sold		
Inventory, beginning	\$48,500	
Add: Purchases	\$60,890	
Less: Purchases Returns & Allowances	5,120	55,770
Add: Freight-in		899
Cost of Goods Available for Sale		\$105,169
Less Ending Inventory		38,555
Cost of Goods Sold		66,614
Gross Margin		\$108,686
Expenses		
Bank Charges	\$210	
Car Expense	3,955	
Interest Expense	758	
Miscellaneous Expense	250	
Rent Expense	54,000	
Telephone Expense	1,100	
Wages Expense	23,400	
Bad Debts Expense	385	
Insurance Expense	2,400	
Supplies Expense	123	
Dep'n Expense, F&E	1,200	
Dep'n Expense, Auto	1,400	\$89,181
Net Income		\$19,505

Whole Class Discussions: Four Corners

**INTRODUCTION TO FINANCIAL ACCOUNTING Grade 11
(Financial Analysis, Control, and Decision Making)**

Suggested Financial Analysis for XYZ Company

Note: the comments in the last column are somewhat subjective. Students may arrive at different conclusions with the same numerical analysis. While XYZ Company has a healthy net income, it does have issues in its balance sheet. This may place the company in a 2 or 3 “corner” overall.

Working Capital	Current Assets – Current Liabilities	\$34,810		Fair
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{\$48,755}{\$13,945}$	3.50 to 1	High
Quick Ratio	$\frac{\text{Cash and A/R}}{\text{Current Liabilities}}$	$\frac{\$8,100}{\$13,945}$	0.58 to 1	Low
Accounts Receivable Turnover	$\frac{\text{Net Sales on Credit}}{\text{Average A/R}}$	$\frac{\$43,825}{\$5,090}$	8.61 times	Fair/Good
A/R Turnover Period	$\frac{365}{\text{A/R Turnover}}$	$\frac{365}{8.61}$	42 days	Fair/Good
Inventory Turnover	$\frac{\text{Cost of Good Sold}}{\text{Average Inventory}}$	$\frac{\$66,614}{\$43,528}$	1.53 times	Poor
Inventory Turnover Period	$\frac{365}{\text{Inventory Turnover}}$	$\frac{365}{1.53}$	239 days	Poor
Operating Cycle	Inv. Turnover Period + A/R Turnover Period		281 days	Fair/Good
Equity Ratio	Equity/Total Assets x 100	$\frac{\$63,544}{\$90,055}$	71%	Fair/Good
Debt Ratio	Total Liabilities/Total Assets x 100	$\frac{\$26,511}{\$90,055}$	29%	Fair/Good
Debt to Equity Ratio	Total Debt/Total Equity	$\frac{\$26,511}{\$63,544}$	0.42 to 1	God
Return on Net Sales	$\frac{\text{Net Income}}{\text{Net Sales}}$	$\frac{19,505}{175,300}$	11%	Good
Return on Equity	$\frac{\text{Net Income}}{\text{Average Equity}}$	$\frac{\$19,505}{\$64,442}$	30%	Excellent
Return on Assets	$\frac{\text{Net Income}}{\text{Average Assets}}$	$\frac{\$19,505}{\$86,283}$	23%	Excellent