



## BUSINESS & COMPUTER SCIENCE

**COURSE:** Business Essentials

**UNIT 8:** Budgeting and Finance



### INTRODUCTION

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**Annotation:**

In this unit, students will learn the process and importance of developing and implementing a budget. They will also learn about the various financial documents that are needed to start and maintain a business and the importance of quality record keeping.

**Grade(s):**

x	9 <sup>th</sup>
x	10 <sup>th</sup>
x	11 <sup>th</sup>
x	12 <sup>th</sup>

**Time:** 8 – 90 minute blocks

**Author:** David Mowery

**Additional Author(s):** Small Business Development Pathway Team

**Students with Disabilities:**

For students with disabilities, the instructor should refer to the student's IEP to be sure that the accommodations specified are being provided. Instructors should also familiarize themselves with the provisions of Behavior Intervention Plans that may be part of a student's IEP. Frequent consultation with a student's special education instructor will be beneficial in providing appropriate differentiation.



# FOCUS STANDARDS

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## **GPS Focus Standards:**

### **BCS-BE-26: The student explains the process in developing a budget.**

- a. Identifies and establishes financial goals for the business.
- b. Analyzes and describes sources of income for the business venture (i.e., sales and labor).
- c. Compares and contrasts the differences between fixed and variable expenses.
- d. Identifies and describes unexpected expenses (i.e., fines, fees, and unexpected repairs).
- e. Identifies and describes fixed expenses (i.e., rent and insurance).
- f. Identifies and describes variable expenses (i.e., telephone and electricity).
- g. Researches and analyzes ways to maintain a positive cash flow.

### **BCS-BE-27: The student analyzes the financial statements of a business and utilizes those statements to make important business decisions.**

- a. Discusses the importance of financial statements and their impact on business decisions.
- b. Differentiate among assets, liabilities and owners' equity on a balance sheet.
- c. Analyze a balance sheet to determine the financial strength of a business.
- d. Differentiate between revenue and expenses on an income statement.
- e. Examines an income statement to determine if the business has incurred a net income or a net loss.

### **BCS-BE-28: The student identifies financial aspects associated with opening a business.**

- a. Analyzes the costs associated with operating a small business.
- b. Compares and contrasts the sources of funding used in financing a business.
- c. Determines the start-up expenses and analyzes their effect in securing initial funding.
- d. Determines the operating expenses for a business and analyzes their effect on the cash flow of the business.

### **BCS-BE-29: The student completes records which are fundamental for any business.**

- a. Defines checking accounts and practices preparing checks, check stubs, and deposit slips.
- b. Prepares bank reconciliation.
- c. Defines credit and analyze credit card statements.
- d. Defines terms that are associated with credit (i.e., credit limit, balance, APR, APY).

## **GPS Academic Standards:**

*SSEMI3 The student will explain how markets, prices and competition influence economic behavior.*

*ELA10W3 The student uses research and technology to support writing.*

*ELA10LSV1 The student participates in student-to-teacher, student-to-student, and group verbal interactions.*

*MM2P1 Students will solve problems (using appropriate technology).*

*MM2P4. Students will make connections among mathematical ideas and to other disciplines.*

*MM2P5. Students will represent mathematics in multiple ways.*

*ELA10RC3 The student acquires new vocabulary in each content area and uses it correctly.*

*SSEPF4 The student will evaluate the costs and benefits of using credit.*

*MM2P1 Students will solve problems (using appropriate technology).*

*SSEMI3 The student will explain how markets, prices and competition influence economic behavior*

## **National / Local Standards / Industry / ISTE: NBEA – National Business Educators Association**

### **I. The Accounting Cycle**

Achievement Standard: Complete and explain the purpose of the various steps in the accounting cycle.

### **II. The Accounting Process**

Achievement Standard: Apply generally accepted accounting principles to determine the value of assets, liabilities, and owner's equity.

### **III. Financial Statements**

Achievement Standard: Prepare, interpret, and analyze financial statements using manual and computerized systems for service, merchandising, and manufacturing businesses.

### **IV. Special Applications**

Achievement Standard: Apply appropriate accounting principles to payroll, income taxation, managerial systems, and various forms of ownership.

### **V. Interpretation and Use of Data**

Achievement Standard: Use planning and control principles to evaluate the performance of an organization and apply differential analysis and present-value concepts to make decisions.



## **UNDERSTANDINGS & GOALS**

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### **Enduring Understandings:**

- Students will understand the importance of a budget for both personal and business use.
- Students will understand the difference between fixed and variable expenses.
- Students will identify various financial institutions and the services they provide.

### **Essential Questions:**

- How can a budget increase your profits?
- What documents do you need to make wise decisions concerning the financial health of your business?
- How much does it cost to open a business? From where do those numbers come?
- Why are your bank records and credit report so important?
- How do you maintain a good credit score?

### **Knowledge from this Unit:**

- Identify and establish financial goals for the business.
- Analyze and describe sources of income for the business venture (i.e., sales and labor).
- Compare and contrast the differences between fixed and variable expenses.
- Identify and describe unexpected expenses (i.e., fines, fees, and unexpected repairs).
- Identify and describe fixed expenses (i.e., rent and insurance).
- Identify and describe variable expenses (i.e., telephone and electricity).
- Research and analyze ways to maintain a positive cash flow.
- Discuss the importance of financial statements and their impact on business decisions.
- Differentiate among assets, liabilities and owners' equity on a balance sheet.
- Analyze a balance sheet to determine the financial strength of a business.
- Differentiate between revenue and expenses on an income statement.
- Examine an income statement to determine if the business has incurred a net income or a net loss. Analyze the costs associated with operating a small business.
- Compare and contrast the sources of funding used in financing a business.
- Determine the start-up expenses and analyze their effects in securing initial funding.
- Determine the operating expenses for a business and analyze their effects on the cash flow of the business.
- Define checking accounts and practice preparing checks, check stubs, and deposit slips.

- Prepare bank reconciliation.
- Define credit and analyze credit card statements.
- Define terms that are associated with credit (i.e., credit limit, balance, APR, APY)

**Skills from this Unit:**

- Students will be able to create and adhere to a budget.
- Students will be able to analyze a variety of financial records and make decisions based on the information they provide.



## ASSESSMENT(S)

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**Assessment Method Type:**

- Pre-test
- Objective assessment - multiple-choice, true- false, etc.
  - Quizzes/Tests
  - Unit test
  - Vocabulary
- Group project
- Individual project
- Self-assessment - May include practice quizzes, games, simulations, checklists, etc.
  - Self-check rubrics
  - Journal reflections on concepts, personal experiences and impact on one's life
  - Reflect on evaluations of work from teachers, business partners, and competition judges
  - Academic prompts
  - Practice quizzes/tests
- Subjective assessment/Informal observations
  - Essay tests
  - Observe students working with partners
  - Observe students role playing
- Peer-assessment
  - Peer editing & commentary of products/projects/presentations using rubrics
  - Peer editing and/or critiquing
- Dialogue and Discussion
  - Student/teacher conferences
  - Partner and small group discussions
  - Whole group discussions
  - Interaction with/feedback from community members/speakers and business partners
- Constructed Responses
  - Chart good reading/writing/listening/speaking habits
  - Application of skills to real-life situations/scenarios
- Post-test

**Assessment(s) Title:**

Analyzing Financial Statements

**Assessment(s) Description/Directions:**

See below in Learning Experiences

## Attachments for Assessment(s):

FBLA Monthly Budget.doc  
Analyzing Financial Statements.doc



# LEARNING EXPERIENCES

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## Sequence of Instruction:

1. Identify the Standards. Standards should be posted in the classroom for each lesson:

BCS-BE-26: The student explains the process in developing a budget.

- a. Identifies and establishes financial goals for the business.
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- a. Discusses the importance of financial statements and their impact on business decisions.
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2. Review Essential Questions:

- How can a budget increase your profits?
- What documents do you need to make wise decisions concerning the financial health of your business?
- How much does it cost to open a business? Where do those numbers come from?
- Why are your bank records and credit report so important?
- How do you maintain a good credit score?

3. Identify and review the unit vocabulary:

Allowance  
APR  
AYP  
Bank reconciliation  
Bank statement  
Bankruptcy  
Budget  
Budget Variance  
Cash Flow statement  
Check register  
Credit  
Credit union  
Credit Rating

Estate planning  
FDIC  
Federal Reserve System  
Finance charge  
Financial Plan  
Fixed Expenses  
Interest  
Money management  
Net worth  
Personal assets  
Variable expenses

4. Related FBLA Competitive Events:

Accounting I  
Accounting II  
Banking & Financial Systems  
Business Calculations

Business Financial Plan  
Business Math  
Personal Finance  
Spreadsheet Applications

## **Lesson 1 – Budgeting (1 day)**

### **Essential Question:**

How can a budget increase your profits both personally and for your business?

### **Discussion & Activity:**

FBLA Monthly Budget Project

### **Directions:**

The students will act as the treasurer for FBLA (Future Business Leaders of America). FBLA just had a meeting and created our plan for this month. You need to see if we have enough money to conduct all the activities that we want to for this month. You are going to use the skills that you are learning in Computer Apps to create the monthly budget spreadsheet for FBLA.

Use the **FBLA Monthly Budget** activity.

## **Lesson 2 – Personal Finance & Credit (2-3 days)**

### **Essential Question:**

- Why are your bank records and credit report so important?
- How do you maintain a good credit score?

### **Discussion & Activity:**

The activity involved with this lesson is a free online lesson courtesy of thirteen.org. Use the following link to access the activity. The steps are listed below the link.

[http://www.thirteen.org/edonline/lessons/fe\\_credit/index.html](http://www.thirteen.org/edonline/lessons/fe_credit/index.html)

**Procedures for Teachers is divided into two sections:**

- [Prep](#) — Preparing for the lesson
- [Steps](#) — Conducting the lesson

**Prep**

**Media Components**

- **Video:**

WHAT'S UP IN FINANCE? "Green Chic" segment.  
<http://www.thirteen.org/finance/about/video1.html>

The half-hour WHAT'S UP IN FINANCE? program aims to give teens an understanding of finance and how it works in different contexts, so that they will have the basis for making smart choices to put themselves on the road toward effective financial management and financial security. In the "Green Chic" segment, Anna Cohen hopes to be on the forefront of moving fashion design and the global fashion industry toward sustainable environmental methods and socially responsible business practices. Anna needs a loan to develop and produce her Spring 2007 line. She secures one from Mercy Corps, an international microfinance institution.

- **Web sites:**

- Citigroup Financial Education  
<http://financialeducation.citigroup.com/citigroup/financialeducation/curriculum/index.htm>
- FICO Credit Scores  
<http://www.myfico.com>

- **Materials:**

**Teachers will need the following supplies:**

- Computer with connection to a screen or television on which to project the Web-based video clips, or computer stations where students can watch the clips
- Board and/or chart paper

**Students will need the following supplies:**

- Computers with Internet access (for individuals or groups)
- Notebook or journal
- Pens/pencils
- Calculator
- "[Credit Rating Card](#)" Student Organizer
- "[Lending Requirement Card](#)" Student Organizer

- **PREP FOR TEACHERS:**

1. Bookmark the Web sites used in the lesson on each computer in your classroom, or upload all links to an online book marking utility such as [www.portaportal.com](http://www.portaportal.com).
2. Preview all of the video clips and Web sites used in the lesson to make certain that they are appropriate for your students, currently available, and accessible from your classroom.
3. Download the video clips used in this lesson onto your hard drive, or prepare to stream the clips from your classroom.
4. Print out the Student Organizers: "Credit Rating Card" and "Lending Requirement Card" and make enough copies so that each student has one copy of the "Credit Rating Card" Student Organizer.
5. When using media, provide students with a FOCUS FOR MEDIA INTERACTION, a specific task to complete and/or information to identify during or after viewing of video segments, Web sites, or other multimedia elements.

## Steps

### Day 1: Introduction of Lesson

1. Begin the class with a discussion of entrepreneurship and starting a new business. Ask students if they know anybody who has started a business, or if they have any interest in owning their own businesses some day.
2. Ask students if they have an idea of how to pay for the start-up costs of a new business. Explain that one option is to borrow money from a bank or other financial institution.
3. Provide students with a FOCUS FOR MEDIA INTERACTION, asking them to think about how a new business owner might attain the money needed to get a business off the ground. Play the "Green Chic" segment for the class.
4. After the segment ends, discuss with the class the reason Anna needed a loan for her company (Answer: To produce her Spring line of clothing).
5. Next, discuss the loan approval meeting, and the part where the lenders discuss how Anna has a good credit rating, and how that will help her get a loan.
6. Ask students if they know what a good credit rating is, and then explain that it's a rating that tells banks and other lenders how likely it is that an individual will repay a loan, like a car loan or a home loan.
7. Explain to students that you are going to do an activity where they will pretend to be business owners who need to borrow money to get their new businesses off the ground.
8. Next, ask students to divide into groups of five, and start brainstorming ideas for new businesses.

### Day 2: Determine Business and Credit Rating

1. First, ask students to finalize their ideas for a new business, and their plan for borrowing money.

2. Pass out to each group one "Credit Rating Card" Student Organizer (there are seven for this lesson plan). This card gives them a personal credit rating score that they as the business owners have, and that will impact their ability to attain a loan for their new business.
3. Next, explain to students that they will be researching what makes a person or a company a good candidate to receive credit by looking at a couple of different Websites.
4. First, ask students to go to the Citigroup Website to find out about the "5 C's" of credit, which are the characteristics of a person who is a good candidate to receive credit. (Answer: capacity, capital, collateral, conditions, and character).
5. Next, ask students to research at the FICO Web site what factors determine a credit score and discuss it as a class. (Answer: 35% — Payment History, 30% — How Much You Owe, 15% — Length of Credit History, 10% — New Credit, and 10% — Other Factors).
6. Then, discuss the range of possible credit scores, and what they mean. (General range: 300-850. Above 700 is a sign of good financial health. Below 600 is considered a high risk to lenders — this might mean higher interest rates or being turned down for a loan or credit application).

### **Day 3: The Lending Process**

1. One person from each group should be chosen by his or her group to become part of the panel of bankers.
2. The panel is given the "Lending Requirement Card" Student Organizer, which gives them information about the type of credit rating a business will need in order to get a loan.
3. The panel then meets with each group to discuss whether or not that business is getting a loan, based on the business's credit rating, and the lenders' requirements.
4. If the group receives a credit score of under 600, they do not receive a loan.
5. If the group receives a credit score of over 700, they will receive a loan.
6. If the group receives a credit score of 600-700, they have the opportunity to try to convince the bankers to give them a loan, based on their plan for borrowing money to start a business.
7. Finally, come back together as a class, and discuss which businesses received a loan and why.

## **Lesson 3 – Analyzing Financial Statements ( 4 Days)**

### **Essential Question:**

- How much does it cost to open a business? Where do those numbers come from?
- What documents do you need to make wise decisions concerning the financial health of your business?

### **Discussion/Activity:**

The activity for this lesson may be advanced for some students. Be prepared to supplement the assignment with discussion and chapter review from your textbook. You may also want to provide the

solution for students and just have them concentrate on analyzing the financial statements. Distribute and review the **Analyzing Financial Statements** document.

### **Analyzing Financial Statements**

The student will be working as an assistant bookkeeper at Plainfield Video, a small video store located in Plainfield, Indiana. The store is owned and operated by William Harris and rents/sells DVDs and video games. The student will be expected to understand accounting concepts and be proficient on spreadsheet software.

After reviewing the store's financial papers for the previous two fiscal years, the student will perform the following tasks:

- Job 1** Prepare a comparative income statement including the following information:
- Figures from the two previous years
  - Amount of difference between years
  - Percent difference between years
  - Projected budget amounts for the current year using same rate of change as that between the two previous years
- Job 2** Prepare a comparative balance sheet including the following information:
- Figures from the two previous years
  - Amount of difference between years
  - Percent difference between years
  - Projected budget amounts for the current year using same rate of change as that between the two previous years
- Job 3** Calculate and record the following ratios for each of the two previous years at the bottom of the comparative income statement:
- Current Ratio
  - Return on Sales
  - Return on Assets
  - Return on Equity
- Job 4** Calculate and indicate what percent each revenue account contributes to the total operating revenue for each of the two previous years. Record these calculations at the bottom of the comparative income statement.
- Job 5** Prepare a one-page report indicating whether it would be more profitable for Plainfield Video to continue selling video games or if it would be better to discontinue video game sales and increase the inventory of DVDs for sale. The analysis should include the student's reasoning for his/her recommendations.

### **Attachments for Learning Experiences:**

FBLA Monthly Budget.doc  
Analyzing Financial Statements.doc

### **Notes & Reflections:**

All lessons are written in a 90-minute block format. However, each lesson can be divided for a 50 minute class period. It is the responsibility of the instructor to find a natural point in each lesson to divide the activities up over multiple class periods.



## CULMINATING PERFORMANCE TASK

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**Culminating Unit Performance Task Title:**

Analyzing Financial Statements

**Culminating Unit Performance Task Description/Directions/Differentiated Instruction:**

See Lesson 3 Above

**Attachments for Culminating Performance Task:**

Analyzing Financial Statements.doc



## UNIT RESOURCES

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**Web Resources:**

[http://www.thirteen.org/edonline/lessons/fe\\_credit/index.html](http://www.thirteen.org/edonline/lessons/fe_credit/index.html)  
Citigroup Financial Education  
<http://financialeducation.citigroup.com/citigroup/financialeducation/curriculum/index.htm>  
FICO Credit Scores  
<http://www.myfico.com>

**Attachment(s):**

**Materials & Equipment:**

Computer Lab with Internet access and Microsoft Office software  
Presentation equipment

**What 21st Century Technology was used in this unit:**

<input checked="" type="checkbox"/>	Slide Show Software	<input type="checkbox"/>	Graphing Software	<input type="checkbox"/>	Audio File(s)
<input checked="" type="checkbox"/>	Interactive Whiteboard	<input type="checkbox"/>	Calculator	<input type="checkbox"/>	Graphic Organizer
<input type="checkbox"/>	Student Response System	<input checked="" type="checkbox"/>	Desktop Publishing	<input checked="" type="checkbox"/>	Image File(s)
<input type="checkbox"/>	Web Design Software	<input type="checkbox"/>	Blog	<input type="checkbox"/>	Video
<input type="checkbox"/>	Animation Software	<input checked="" type="checkbox"/>	Wiki	<input type="checkbox"/>	Electronic Game or Puzzle Maker
<input checked="" type="checkbox"/>	Email	<input checked="" type="checkbox"/>	Website		

