

*Public District School Board Writing Partnership*

Business Studies

# Course Profile

## **Principles of Financial Accounting**

Grade 12

University/College Preparation

BAT4M

• *for teachers by teachers*

This sample course of study was prepared for teachers to use in meeting local classroom needs, as appropriate. This is not a mandated approach to the teaching of the course. It may be used in its entirety, in part, or adapted.

---

Course Profiles are professional development materials designed to help teachers implement the new Grade 12 secondary school curriculum. These materials were created by writing partnerships of school boards and subject associations. The development of these resources was funded by the Ontario Ministry of Education. This document reflects the views of the developers and not necessarily those of the Ministry. Permission is given to reproduce these materials for any purpose except profit. Teachers are also encouraged to amend, revise, edit, cut, paste, and otherwise adapt this material for educational purposes.

Any references in this document to particular commercial resources, learning materials, equipment, or technology reflect only the opinions of the writers of this sample Course Profile, and do not reflect any official endorsement by the Ministry of Education or by the Partnership of School Boards that supported the production of the document.

© Queen's Printer for Ontario, 2002

### **Acknowledgments**

Public District School Board Writing Team – Grade 12, Principles of Financial Accounting

#### Lead Board

Hamilton Wentworth District School Board

#### Project Manager

Katherine Hibbins, Hamilton

#### Lead Writer

Marion Spino, Westdale Secondary School, Hamilton Wentworth District School Board

#### Writers

Hans Eckart, Retired, Sherwood Secondary School, Hamilton Wentworth District School Board

Ed Stavitzky, Sir Winston Churchill Secondary School, District School Board of Niagara

Alan Switzer, Parkside High, Hamilton Wentworth District School Board

#### Reviewers

Cathy Brillinger, Assessment Review, Waterloo

Jim Fox, Assessment Review, Waterloo

Colin Hazel, Accommodation Review, Sherwood Secondary School, Hamilton Wentworth DSB

Adam R. F. Laiken, University of Waterloo, third year Accountancy Co-op Student

Stanley N. Laiken, Destination Review, University of Waterloo School of Accountancy

Marcellus Lung, General Review, Westdale Secondary School, Hamilton Wentworth DSB

---

## Course Overview

### Principles of Financial Accounting, BAT4M, Grade 12, University/College Preparation

**Policy Document:** *The Ontario Curriculum, Grades 11 and 12, Business Studies, 2000.*

**Prerequisite:** Introduction to Financial Accounting, Grade 11, University/College Preparation

## Course Description

This course emphasizes study of accounting principles related to financial statements. Students learn about ways in which information in these statements is used in making business decisions, and about the effects on financial statements using different methods of inventory valuation and adjusting and reversing entries. Students also study various means of financing a business and ways in which the strength of a corporation can be determined by reading its annual report.

## Course Notes

This Course Profile is a support document that presents only one of many possible ways for teachers to organize their course so students can acquire and demonstrate the skills and knowledge specified in the curriculum policy documents through the learning expectations. The Course Profile builds on the students' financial accounting knowledge developed in the Grade 11 BAF3M course, and equips students with the basic accounting tools to pursue accounting studies at the post secondary level.

The computerized accounting expectations are an integral component of the expectations. The teacher will find computer-integrated examples throughout the Course Profile with the use of spreadsheets as well as ministry-licensed accounting software. The teacher needs to arrange for computer lab time to meet the expectations. Periodic access to computer technology, for standard office tools (word processors, spreadsheets, database, e-mail, and the Internet) is a requirement in this course.

Throughout the course, the teacher should refer to and make use of the school's Guidance and Career Education Program Plan (*Choices Into Action*). Students can utilize career-access software, e.g., *CareerCruising*, *Career Explorer*, listed under Career Resources, to explore job descriptions, working conditions, earnings, education, and career paths for jobs in related fields of accounting. Students should be aware of the dynamic nature of the cooperative learning experience and business career paths available to them. Appropriate career choices would include distinguishing between the level of jobs and the level of accounting expertise involved in each.

- Entry level – recording and clerical responsibilities include recording, classifying, and summarizing daily transactions. Jobs include accounts receivable (A/R) clerks, payroll clerks, inventory control clerks, and general accounting clerks.
- Supervisory – responsibilities include planning tasks, hiring, training, quality control, and participating in the promotion/correction/termination process. Jobs include accounting supervisor, office manager, assistant accountant, and payroll supervisor.
- Management – involved with budgeting, taxation, A/R, accounts payable, forecasting, credit, expansion, and downsizing. Positions include treasurer, comptroller, senior accountant, auditor, cost accountant, tax accountant, and manager of the accounts department.
- General accounting designations include CA, CMA and CGA. These positions are responsible for designing accounting systems, preparing financial reports, interpreting and analysing reports, planning and making financial recommendations, and evaluating the accounting systems and procedures used by a firm.

---

It is advisable for teachers to identify and gain the participation of local businesses, wherever possible. Teachers are encouraged to develop an in-class display of community businesses and to highlight existing partnerships. Teachers should develop links with community businesses that reflect the diversity of the local school community as supplementary resources.

This course will give the students the basic competencies necessary for further study at the post secondary level.

Students are required to work collaboratively throughout the course; therefore, addressing conflict management is important to student success. At the beginning of the course, the teacher should address this issue, emphasizing that not all conflicts can be resolved, but people can always choose how to handle them. Steps to conflict resolution include: define the conflict; state the problem; check your perceptions; generate and evaluate a list of possible decisions/alternatives; reach a mutually acceptable decision; implement and evaluate the decision. If the decision is satisfactory, continue the work; if the decision is unsatisfactory, repeat the process. Point out that different cultures perceive conflict differently – what constitutes conflict and how to resolve problems may vary from culture to culture. These issues have a direct bearing on what and how the teacher evaluates in the process area (an element in learning skills). Self, peer, group, and teacher assessment forms, once taught, help deflect conflict and solve problems.

### Units: Titles and Time

Unit 1	The Accounting Cycle	18 hours
* Unit 2	Financing	22 hours
Unit 3	Assets Accounting	26 hours
Unit 4	Financial Analysis and Decision Making	24 hours
** Unit 5	Issues in Accounting	20 hours

\* Unit 2 is fully developed in this Course Profile.

\*\* Unit 5 is developed in the Catholic Course Profile.

### Unit Overviews

#### Unit 1: The Accounting Cycle

**Time:** 18 hours

#### Unit Description

Students demonstrate an understanding of accounting principles and practices; demonstrate an understanding of the accounting cycle for a service company and a merchandising company; and analyse the ways in which service, merchandising, and manufacturing companies interpret financial statements.

**Cluster 1.1** reviews the various roles of the accounting professional organizations and regulatory agencies. Electronic and print materials or guest speakers are available sources. The teacher and students explore the concept of Generally Accepted Accounting Principles, GAAPs, and their application to accounting decisions. It is better to introduce or review individual GAAPs with the specific material that the GAAP relates to in the other clusters in this course. However, some of the GAAPs covered in BAF3M provide examples for review of the importance of GAAPs in the accounting system and the impact of various agencies, roles, and accounting practices.

**Cluster 1.2** comprises a block of time for students to work through the accounting cycle. The approach taken here is to use problems and examples that cover both service and merchandising businesses. The teacher and students review periodic and perpetual inventory systems. Throughout the review, students use spreadsheets where appropriate, such as in the preparation of a trial balance or worksheet. The teacher introduces the accounting concept with manual accounting and revisits the same concept using accounting software. Ministry-licensed software (*Simply Accounting*) is available for this purpose.

**Cluster 1.3** constitutes the culmination of the accounting cycle, which involves statement preparation, and the adjusting and closing of the books. Since students are familiar with the equity section of the three business structures (Sole Proprietorship, Partnership, Corporation) from BAF3M, examples and problems can involve any one of these structures. In particular, the Statement of Retained Earnings is prepared and reviewed. The teacher provides examples of financial statements for a service business, merchandising business and manufacturing business and the students compare the differences and summarize them into a chart.

**Unit Overview Chart**

Cluster	Learning Expectations	Assessment Categories	Focus/Time
1.1	ACV.01, AC1.01, AC1.03	Knowledge/Understanding Thinking/Inquiry Communication Application	Principles and Practices  (5 hours)
1.2	ACV.01, ACV.02, AC1.04, AC2.01, AC2.03	Knowledge/Understanding Thinking/Inquiry Communication Application	The Accounting Cycle  (9 hours)
1.3	ACV.04, AC4.01, AC4.02, AC4.04	Knowledge/Understanding Thinking/Inquiry Communication Application	Financial Statements  (4 hours)

**Unit 2: Financing and Business Structures**

**Time:** 22 hours

**Unit Description**

This unit concentrates on the financing aspects of a business. Students explore and analyse equity and debt financing and investigate the corporation in detail. Students compare alternative forms of financing, demonstrate an understanding of partnership financing, demonstrate an understanding of corporation financing, and demonstrate an understanding of accounting principles and practices. In addition, students explore the financing of a partnership in depth.

**Cluster 2.1** starts with an exploration of notes payable and their use as a short-term financing instrument. The teacher introduces calculations and the entries for notes payable and discount on notes payable; students develop the skills and competencies needed to process this method of financing. The cluster continues with additional sources of business financing and makes comparisons between debt financing and equity financing. The teacher provides an introductory overview of bonds as a debt instrument, and focuses on the advantages and disadvantages to a business of issuing bonds. Other sources of financing, such as private venture capital or grants and loans from government sources, are studied. Students demonstrate their research and presentation skills as described in the fully developed unit.

**Cluster 2.2** deals with partnerships. Students review the creation of a partnership, admission of a new partner and the dissolution of a partnership. They examine the various ways profits and losses are divided (percentage, capital contributions, fixed drawings plus percentage). They prepare a statement of partners' equity and an income statement showing the allocation of net income to the partners' capital accounts.

**Cluster 2.3** focuses on the corporation. Students are introduced to corporate financing. The teacher introduces the various classes of shares (common and preferred), dividends (cash and stock) and the resultant effects on the equity section. Students explore and evaluate: financing issues, such as IPOs (Initial Public Offering); advantages and disadvantages of public share ownership from a company's perspective; various dividend distributions and their effect on shareholders' equity; and implications and

consequences of debt versus equity financing. Students investigate these issues using the Internet, print resources, and/or magazines and books. Students compile and present the research in report form using electronic tools. Financial report writing and electronic presentation is something that students need to become familiar with and practise in this course, and these issues are excellent topics for that purpose. (See: Introduction to International Business, BBB4M Public, at [www.curriculum.org](http://www.curriculum.org) for an Oral Presentation Checklist, BTX4C Public for an Electronic Presentation Rubric, Resources for a student tutorial on *PowerPoint*.) Opportunities for self-, peer, and teacher assessment and evaluation are in detail in the fully developed unit.

### Unit Overview Chart

Cluster	Learning Expectations	Assessment Categories	Focus/Time
2.1	FIV.01, FIV.02, FIV.03, FI1.01, FI2.02, FI3.01, FI3.02, FI3.03	Knowledge/Understanding Thinking/Inquiry Communication Application	Notes Payable and Forms of Financing  (7 hours)
2.2	ACI.02, ACV.01, FIV.01, FI1.02, FI1.03	Knowledge/Understanding Thinking/Inquiry Communication Application	Partnerships  (5 hours)
2.3	APV.01, FIV.02, AP1.02, FI2.01, FI2.03, FI2.04, FI2.05, FI2.06, FI2.07	Knowledge/Understanding Thinking/Inquiry Communication Application	The Financing of a Corporation  (10 hours)

### Unit 3: Assets Accounting

**Time:** 26 hours

#### Unit Description

In this unit students explain accounting procedures for short-term assets, assess methods of accounting for capital assets, explain accounting procedures for inventories, explain the need for internal financial controls in a business, analyse the ways in which service, merchandising, and manufacturing companies interpret financial statements, demonstrate the use of accounting techniques to analyse and compare accounting data, and demonstrate an understanding of contemporary issues in accounting.

**Cluster 3.1** initially focuses on the short-term assets portion of the balance sheet, in particular cash. Students review and journalize the various ways customers can finance purchases. This leads to an investigation of the correct handling of cash sales, accounts receivable and doubtful accounts, credit card sales, and promissory notes. The teacher stresses the difference between short-term assets and expenditures on assets with a longer lifespan.

**Cluster 3.2** is a comprehensive look at capital asset accounting, beginning with an analysis of evaluating the cost of acquiring plant and equipment, natural resources, and intangibles such as goodwill, patents, trademarks, and copyrights. A comprehensive exploration of the standard methods of amortization and depletion follows. *Amortization* is the term used in the Canadian Institute of Chartered Accountants (CICA) handbook to describe the process of allocating a capital asset's cost to expense. The term commonly used when property, plant and equipment is involved is *depreciation*. Students learn the necessary calculations and journal entries involved in depreciating capital assets, including those that deal with end-of-life and disposal events. Students analyse the impact of different methods of depreciation or amortization on the financial statements. Over time, these impacts on net income are a more realistic reflection of an asset's allocation to expenses in the periods in which assets deliver services. This achieves the basic purpose of the matching principle. Students explore the various ways in which a firm can safeguard its intangible assets, such as copyrights, trademarks, goodwill, and patents.

**Cluster 3.3** students review the differences between the periodic and the perpetual inventory systems. The teacher provides an in-depth look at the techniques used to establish values of inventories on hand and cost of goods sold. Students learn which of the various inventory evaluation methods (Average Weighted Cost; First In, First Out [FIFO]; Last In, First Out [LIFO]; and Individual Item Identification) is appropriate for different situations. The students explore the effect of inventory valuation errors on the financial statements. The teacher introduces the Lower of Cost or Market Value (LCM) rule, and the Gross Margin method of inventory estimation, and the impacts of the different inventory valuations on financial statements. Cluster 3.3 ends with a practical exercise that uses computer software to demonstrate inventory control. Students use a commercial accounting program or teacher/student designed spreadsheets.

**Unit Overview Chart**

Cluster	Learning Expectations	Assessment Categories	Focus/Time
3.1	APV.01, FAV.02, AP1.01, AP1.02, AP1.03, FA2.01	Knowledge/Understanding Thinking/Inquiry Communication Application	Short Term Assets Accounting  (7 hours)
3.2	ACV.03, ACV.04, APV.02, AC3.02, AC4.03, AP2.01, AP2.02, AP2.03	Knowledge/Understanding Thinking/Inquiry Communication Application	Capital Assets Accounting  (10 hours)
3.3	APV.03, FAV.03, AP3.01, AP3.02, AP3.03, AP3.04, AP3.05, FA3.02	Knowledge/Understanding Thinking/Inquiry Communication Application	Inventory Control Accounting  (9 hours)

**Unit 4: Financial Analysis and Decision Making**

**Time:** 24 hours

**Unit Description**

In this unit students assess the financial strength and weakness of a company on the basis of its annual report, demonstrate the use of accounting techniques in analysing and comparing accounting data, and demonstrate an understanding of contemporary issues in accounting. Financial accounting is about how accounting information is used and how it aids in business decision making.

**Cluster 4.1** focuses on the basic sections of the annual report. The students examine and contrast the reports of various companies using the Internet to access the reports. Through analysis, students become familiar with the similarities and differences of the various sections of annual reports: the corporate profile; report to shareholders; management’s discussion and analysis; the listing of the board of directors and management; and the financial section, including the notes to financial statements. They communicate the purpose of each section and demonstrate an understanding of how and why the reports differ from company to company.

**Cluster 4.2** involves a close analysis of the financial section of the annual report with special attention given to the included financial statements and the accompanying notes. Students collect data from the income statement, balance sheet, cash flow statement, multi-year summaries, and the notes to the financial statements. They create spreadsheet templates to summarize the collected data into common-sized statements and calculate ratios which demonstrate the company’s current and projected financial strength and prospects. Finally, students examine the reconfigured accounting information to evaluate its effects in making decisions about the future direction or prospects of the company.

**Cluster 4.3** is a culmination of the unit involving retrospective versus prospective analysis and time-series versus cross-sectional analysis to compare and draw conclusions about the credit-worthiness and investment prospects of two companies from within the same industry. An oral presentation of the results, using both supporting data from an analysis of the companies' financial statements, along with the correct use of the appropriate software and technologies, allows students to demonstrate their understanding of the methods and concepts covered. They practise communicating their conclusions through the appropriate summaries. (See BBB4M Public for an *Oral Presentation Checklist*, and BTX4C Public for an *Electronic Presentation Rubric* found at [www.curriculum.org](http://www.curriculum.org).)

#### Unit Overview Chart

Cluster	Learning Expectations	Assessment Categories	Focus/Time
4.1	FAV.01, FA1.01, FA1.02	Knowledge/Understanding Thinking/Inquiry Communication Application	Annual Reports  (7 hours)
4.2	FAV.01, FAV.02, FA1.03, FA2.02, FA2.03	Knowledge/Understanding Thinking/Inquiry Communication Application	Financial Analysis for Decision Making  (7 hours)
4.3	ACV.02, FAV.02, FAV.03, AC2.02, FA2.03, FA3.03, FA3.04	Knowledge/Understanding Thinking/Inquiry Communication Application	Culminating Activity Oral Presentation  (10 hours)

### Unit 5: Issues in Accounting

**Time:** 20 hours

#### Unit Description

Students assess the financial strength and weakness of a company on the basis of its annual report, demonstrate the use of accounting techniques to analyse and compare accounting data, demonstrate an understanding of contemporary issues in accounting, and explain the need for internal financial controls in a business.

**Cluster 5.1** has students investigate the relevant and current moral, ethical, and environmental issues surrounding the selection and the evolution of accounting practices, within an industry and a specific business. An interesting topic for students to pursue is one of the major ongoing controversies in the accounting profession pertaining to who has the right to audit and whose interests does the auditor represent. In addition, the audit function itself might be explored. An excellent opportunity exists to link with the various professional accounting associations, CMA, CGA, and CICA, and arrange presentations. Students engage in a discussion involving the most current issues. They also restate a company's five-year-old financial statements in present day dollars by calculating the effects of inflation over time.

**Cluster 5.2** involves the setting up of an accounting system for a merchandising concern, which includes the structure and mechanisms that maintain internal control of assets and prevent fraud or theft. Students describe a system that establishes clear lines of responsibility and procedures for processing each type of transaction, subdivides accounting duties, separates accounting functions from asset custody, and provides for internal auditing, financial forecasts, and serially numbered documents.

---

### Unit Overview Chart

Cluster	Learning Expectations	Assessment Categories	Focus/Time
5.1	FAV.03, FA3.01, FA3.02	Knowledge/Understanding Thinking/Inquiry Communication Application	Issues in Accounting  (8 hours)
5.2	ACV.03, FAV.03, AC3.01, AC3.03, FA3.03, FA3.04	Knowledge/Understanding Thinking/Inquiry Communication Application	Internal control  (12 hours)

### Teaching/Learning Strategies

There is a conscious quest for a balance of traditional modelling of skills and knowledge, together with a blend of small group and individual exploration in this profile. Concepts and ideas students discover are usually internalized more deeply and retained with greater meaning than ideas that are passively received in didactic fashion. When students report and discuss discoveries with fellow students and the teacher, learning consolidation takes place. Educational research has shown that guided instruction and interactive learning are cornerstones of efficient teaching practice.

The *Ontario Curriculum Unit Planner* provides teachers with explanations of strategies listed in the profile.

### Assessment & Evaluation of Student Achievement

Teachers should employ assessment strategies frequently throughout the course in order to communicate the expectations of the course to students and to make appropriate adjustments to teaching and learning strategies.

Marking schemes and rubrics used for evaluation include applicable achievement chart categories. The teacher can assess or evaluate a single student-generated product or process under multiple categories: Knowledge/Understanding, Thinking/Inquiry, Communication, and Application.

The following assessment strategies are appropriate for the activities in this Course Profile.

- Share the rubrics for culminating activities at the beginning of the unit, so expectations and criteria are clear for students.
- Develop rubrics with students, where appropriate, and where both the teacher and students understand and are comfortable with the process.
- Emphasize the language of assessment and evaluation in your discussions with students.
- Provide sample work demonstrating achievement at different levels.
- Provide opportunities for self- and peer assessment as formative assessment to support and improve student learning.
- Provide multiple opportunities for students to demonstrate their achievement of expectations.
- Provide opportunities for students to retry assignments until they can demonstrate their learning.
- Develop tests that provide opportunities to demonstrate all categories on the Achievement Chart at all levels.
- Give practice tests as an opportunity for formative assessment.
- Use assessment tools that are appropriate for the expectations.
- Provide prompt feedback so that students can use it to improve their learning.
- Design a variety of assessment tasks to address different learning styles.
- Provide choice in activities/assessment tasks to accommodate the diverse needs of the learners in the classroom.
- Provide opportunities for students to track their own progress.

---

## Assessment Purposes

Assessment may be diagnostic, formative, and summative. Diagnostic assessment includes informal observation checklists, quizzes, and class questions and answers for determining students' knowledge and skills prior to beginning a new section of work. The information acquired should inform the teaching/learning process. The following strategies and tools can be used for both formative and summative purposes.

Method	Strategy	Tool
Paper-and-Pencil	Test - Selected Response - True/False - Constructed Response	Marking Scheme
Performance Task	Oral Presentation Electronic Presentation Business Report Presentation Financial Report Writing Financial Statement Preparation Discussion/Debate	Rubric Checklist
Personal Communication	Student-Teacher Conference Classroom Question and Answer	Rating Scale Anecdotal Record

## Final Course Evaluation

When planning courses and assessment, teachers should review the required curriculum expectations and link them to the categories to which they relate. Teachers should ensure that all the expectations are accounted for in instruction, and that the achievement of the expectations is assessed within the appropriate categories (*The Ontario Curriculum, Grades 11 and 12, Business Studies, 2000*, p. 125). The teacher must ensure that a student's most consistent performance level is reflected in his/her final percentage grade. The teacher must also provide a variety of opportunities for students to demonstrate their achievement of the expectations. Seventy per cent of the grade will be based on assessments and evaluations conducted throughout the course. Thirty per cent of the grade will be based on a final evaluation in the form of an examination, performance, essay, and/or other method of evaluation.

## Accommodations

The teacher should consult individual student IEPs for specific direction on accommodation for individuals. This allows teachers to implement the prescribed accommodations.

### Specific Accommodations

**Mathematics** – use a formula sheet, or in the case of accounting, use a spreadsheet (have a copy of the blank document available), and let the students annotate how the work is done. Use the “Show Formula” function on a spreadsheet, have this facing the page with all of the numbers, and write explanations as to how or why the calculations are done. (Arrange the student notes so that both pages are visible at the same time.)

**Reading** – ask the student to paraphrase what has been read or provide a synopsis. Encourage dictionary/thesaurus use, write word definitions in the margins of the worksheet, etc.

**Memory** – use a definition sheet, especially in a course where the language is subject specific and may not be used in other classes.

---

**Written language** – have the student verbally rehearse their answer, perhaps have a partner scribe points, when done ask what was missed, fill in the gaps. Where students need to be provided with photocopied notes, they should compare the good notes with their attempt, and then add the material that was missed.

### **Enrichment Accommodations**

The teacher can enrich the learning experience by:

- encouraging and reinforcing the application of abstract thinking skills to complex content, resulting in a sophisticated product;
- integrating cross-curricular activities;
- fostering in-depth learning of a self-selected topic within the expectation requirements;
- being aware that students may be gifted in one area and not in others;
- encouraging and using the DECA™ and Ontario Business Educators Association (OBEA) contests;
- allowing students to demonstrate mastery of content through preferred learning styles;
- motivating students to synthesize course content with their own experiences and ideas.

### **ESL/ELD Accommodations**

- English-speaking students can help their classmates in ESL/ELD program by repeating, rephrasing, and writing words down.
- Provide peer tutors who speak the same first language, if possible.
- Give recognition to partners for undertaking responsibilities.
- Avoid all-ESL groupings.
- Encourage ESL students to use their own language for clarification and explanation.
- Provide students with a summary sheet to use at the end of each class (with teacher assistance) to list main terms or concepts that were the focus of the lesson.
- Make overheads of handouts on which the teacher highlights important terms, explains words, and clarifies instructions, etc. while students do the same on their copy.
- Provide a glossary of terms for the reading.
- Encourage the use of first-language dictionaries for assignments and assessments.
- Pair written instructions with verbal instructions.
- Provide visual and auditory clues.
- Culturally, some ESL students have been taught to rely on teacher-based assessment. They may need instructions on the process of self- or peer assessment. Explain the criteria before they begin the process of self- or peer assessment.

### **Resources**

Units in this Course Profile refer to the use of specific texts, magazines, films, and videos. Before reproducing materials for student use from books and magazines, teachers need to ensure that their board has a Cancopy licence and that this licence covers resources they wish to use. Before screening videos for their students, teachers need to ensure that their board/school has obtained the appropriate public performance videocassette licence from an authorized distributor, e.g., Audio Cine Films Inc. Copyright protects much of the material on the Internet. The person or organization that created the work usually owns the copyright. The permission of the owner is required for reproduction of any work or a substantial part of any work on the Internet.

---

## Pedagogy Print

Bennett, B., C. Rolheiser-Bennett, and L. Stevahn. *Cooperative Learning Where Heart Meets Mind*. Toronto: Educational Connections, 1991. ISBN 0-4444-555-6

Gibbs, Jeanne. *Tribes: A Process for Social Development and Cooperative Learning*. Santa Rosa, 1996. ISBN 0-932762-08-5

OSSTF/FEESO. *Quality Assessment: Fitting The Pieces Together*. Toronto: OSSTF Educational Services Committee, 1999. ISBN 0-920930-47-6

## Pedagogy Internet

**Note:** The writers have verified the URLs for the websites prior to publication. Given the frequency with which these designations change, teachers should always verify the websites before assigning them for student use.

Innovation Teaching – <http://www.interserf.net/mcken/teacher.htm>

Interactive Curriculum – [www.interactivecurriculum.com](http://www.interactivecurriculum.com) – this site provides completed activities for the Grade 11 Business Studies profiles that can be used as accommodations. The site a source for assessment tools.

Pedagonet – <http://www.pedagonet.com> – This site offers a search engine, which facilitates the exchange of learning resources.

School Net – <http://www.schoolnet.org> – this site is dedicated to serving the interests of students, parents, and educators regarding every facet of education.

Premier Tracks – <http://4teachers.org/premier> – a collection of K-12 web-based lessons for a variety of subject areas created by SCR\*TEC's TrackStar.

Teacher Talk. – <http://www.mightymedia.com/talk/index.asp> – this site provides a discussion area for teachers related to technology instruction.

## Safety

Canadian site for occupational Health and safety – [www.ccohs.ca/](http://www.ccohs.ca/)

## General Resources

### Textbooks

D'Amico, V., T. Palmer, and T. D'Amico. *Principles of Accounting*, 3rd ed. Toronto: Pearson Education Inc., 2002. ISBN 0-13-034090-1

Gibbins, Michael. *Financial Accounting: An Integrated Approach*. Scarborough: ITP Nelson, 2001. ISBN 0-17-616845-1

Harrison, W., C. Horngren, W.M. Lemon et al. *Accounting*, 5th ed., Vol 1 & 2. Toronto: Pearson Education Canada, 2002. ISBN 0-13-089693-4. (vol. 1), ISBN 0-13-089694-2. (vol. 2).

Hoskin, Robert E. *Financial Accounting: A User Perspective*. Toronto: John Wiley & Sons, Inc. ISBN 0-471-64142-1

Meigs, Robert, M. Bettner, and W. Lam. *Accounting: The Basis for Business Decisions*, 8th ed. Vol. 1 & 2. Toronto: McGraw-Hill Ryerson, 1999. ISBN 0075605015 and ISBN 0075605023

Syme, G.E. and I. Ireland. *Accounting I*, 6th ed. Toronto: Pearson Education Inc., 2002. ISBN 0-13-092332-X

Warren, Carl, et al. *Accounting: Canadian Edition*, Vol 1 & 2. Scarborough: ITP Nelson, 1999. ISBN 0-17-616638-6 (vol 1), ISBN 0-17-616748-x (vol 2).

Wilson, Dennis. *Basic Accounting Principles & Procedures*. Hamilton: Norbry Publishing Limited, 2000. ISBN 0-201-38936-3

---

### Other Print Resources

Freedman, H., J. Toste, and C. Barr. *Learning Simply Accounting 8.0*. Hamilton: Norbry Publishing Limited, 2000. ISBN 1-55232-042-1

Heaney, Christine and Claudette Edie. *MYOB Version 9.0, a Simulated Approach*. Hamilton: Norbry Publishing Limited, 2000. ISBN 1-55232-044-8

*Investing in Your Future, Appendix B, and Appendix C*. Toronto: Canadian Securities Institute and Investor Learning Centre, 2000. ISBN 1-894289-51-X

Ireland, Tim. *School Accounting Modules*. Vancouver: Certified General Accountants of Ontario, 2000. ISBN 1-55219-287-3

Monarch Books of Canada. *Learning Corel WordPerfect Suite 8*. DDC Computer Applications Books. Catalogue 1562435906 (This includes *Quattro Pro 8*)

Monarch Books of Canada. *Learning Microsoft Excel 97*. DDC Computer Applications Books. Catalogue 1562434411

Purbhoo, Mary and Dhirajlal Purbhoo. *Using Simply Accounting Version 8.0 for Windows: An Integrated Simulation*. Toronto: Addison Wesley Longman Ltd., 2000.

*Taking Stock in Your Future, Activity 4*. Toronto: Ontario Institute of Studies in Education, University of Toronto, 2000.

Vale, Ruth and Rebecca Latif-Pembry. *Microsoft Excel 97*. Hamilton: Norbry Publishing Limited, 2000.

### Professional Organizations

DECA – <http://www.deca.org> & DECA ONTARIO – <http://www.deca.on.ca> – A business/marketing organization site for students and teachers, where resources dealing with business can be ordered.

The Certified General Accountants of Ontario, 240 Eglinton Avenue East, Toronto, Ontario, M4P 1K8  
Contact Person: Lisa Morabito, coordinator, school programs. – (416) 322-6520 ext 257 [lmorabito@cga-ontario.org](mailto:lmorabito@cga-ontario.org) – 1-888-837-2238. Website – [www.cga-canada.org](http://www.cga-canada.org). Each of these organizations has resources such as magazines and videos. They also have websites and sections to assist teachers and students, as well as speaker programs.

The Institute of Chartered Accountants of Ontario, 69 Bloor Street East, Toronto, M4W 1B3  
Tel: (416) 962-1841 – Toll Free: 1-800-387-0735 – Fax: (416) 962-8900 Contact Person: Jill L. Axisa, Director, Career Information Programs – [jaxisa@icao.on.ca](mailto:jaxisa@icao.on.ca) Website – [www.icao.on.ca](http://www.icao.on.ca). The teacher is automatically eligible to become part of the Teacher Colleague Program with the Institute of Chartered Accountants of Ontario. For a nominal fee, the teacher is entitled to receive CA Magazine monthly and the CICA Handbooks and updates. This organization runs its own accounting contest.

The Ontario Business Education Association – [www.obea.com](http://www.obea.com)

The Society of Management Accountants of Ontario, 70 University Avenue, Suite 300 Toronto, Ontario M5J 2M4 Contact Person: Gary D. Parsons, Manager of Secondary School Programs Direct Dial (416) 204-3112 – [gparsons@cma-ontario.org](mailto:gparsons@cma-ontario.org) (416) 977-7741 – 1-800-387-2991 Ext. 112 – Fax (416) 977-6079 Website – [www.cma-canada.org](http://www.cma-canada.org). The Society of Management Accountants of Ontario Members Handbook is available to teachers. This organization also runs its own contest and offers scholarships.

### Accounting Software

MYOB 9.0 – [www.myob.ca](http://www.myob.ca)

QuickBooks2000 – Intuit of Canada – [www.intuit.com](http://www.intuit.com)

Simply Accounting 8.0 – Computer Associates, Licensed by the Ministry of Education. Information is available at – [www.osapac.org](http://www.osapac.org)

---

## Internet

Canadian Institute of Financial Planning – [www.cifp.ca](http://www.cifp.ca). This site has material on careers in accounting and the financial services sector.

Curricular Resources in Business Education – [www.cln.org/subjects/bused\\_cur.html](http://www.cln.org/subjects/bused_cur.html)

Globeinvestor – This is one of Canada’s leading financial sites. – [www.globeinvestor.com](http://www.globeinvestor.com)

The Motley Fool – A site with a wealth of financial information – [www.fool.com](http://www.fool.com)

The Ontario Securities Commission – Information on securities regulation. – [www.osc.gov.on.ca/](http://www.osc.gov.on.ca/)

Quicken Canada – Many links and features for company financial analysis. There is a special section on small business – [www.quicken.ca](http://www.quicken.ca)

Sedar – This site has public securities filings. Information on many public listed companies is available – [www.sedar.com](http://www.sedar.com)

Studentscount – An interactive Web site sponsored by the CGA association. – [www.studentscount.com](http://www.studentscount.com)

The Toronto Stock Exchange – This site offers links and resources for financial analysis and stock information. – [www.tse.com](http://www.tse.com)

## Videos

*Taking Care of Business*. The Society of Management Accountants of Ontario. See the contact information above.

*Think CGA*. Certified General Accountants of Ontario. See the contact information above.

Wilson & Notman. *World of Business Video Series*. Toronto. Nelson Canada & CBC. *Teachers Resource. Unit 7 Accounting*. ISBN0-17-606589-X

## Career Resources

Canadian Bankers Association – [www.cba.ca](http://www.cba.ca)

Canadian Youth Business Foundation – [www.i3ds.com/cyba/directory/gov.html](http://www.i3ds.com/cyba/directory/gov.html)

canjobs.com – The Canadian employment search network. – [www.canjobs.com](http://www.canjobs.com)

Career Cruising – [www.careercruising.com/home/index.htm/](http://www.careercruising.com/home/index.htm/)

careerclick.com – Career resources, job postings and company profiles – [www.careerclick.com](http://www.careerclick.com)

Cx Bridges Canada – An site for general career information – <http://cdn.cx.bridges.com>

Human Resources Development Canada, Job Futures 2000 – Labour market trends and information on careers – [www11.hrdc-drhc.gc.ca/doc/jf/part2/index.shtml](http://www11.hrdc-drhc.gc.ca/doc/jf/part2/index.shtml)

Interest Survey – [www.jvis.com](http://www.jvis.com)

Workopolis – A site for career information and job postings. – [www.workopolis.com](http://www.workopolis.com)

## **OSS Considerations**

Safety is a very important issue. Examine the school Internet Use Policy at the onset of the course, as Internet usage is an integral part of the course. Topics of discussion should include the environment, trip safety, online security, ethics, and legal requirements of working online, Internet usage and Netiquette policies, as well as interview precautions. Special emphasis on part-time and summer jobs is vital. An enthusiastic student/employee should also be informed about safety and security issues. A safety resource produced by The Ontario Ministry of Labour is in the overview resources.

This course may count as an optional credit or an additional compulsory credit for diploma purposes.

*The Ontario Curriculum Grades 11 and 12 Business Studies, 2000.*

*The Ontario Curriculum Grades 9 to 12 Program Planning and Assessment, 2000.*

*The Ontario Curriculum Grades 9 to 12 Choices into Action Guidance and Career Education Program Policy For Ontario Elementary and Secondary Schools, 1999*

*Ontario Secondary Schools Grades 9 to 12 Program and Diploma Requirements, 1999.*

---

## **Coded Expectations, Principles of Financial Accounting, Grade 12, University/College Preparation, BAT4M**

### **The Accounting Cycle**

#### **Overall Expectations**

**ACV.01** · demonstrate an understanding of accounting principles and practices;

**ACV.02** · demonstrate an understanding of the accounting cycle for a service company and a merchandising company;

**ACV.03** · explain the need for internal financial controls in a business;

**ACV.04** · analyse the ways in which service, merchandising, and manufacturing companies interpret financial statements.

#### **Specific Expectations**

##### **Accounting Principles and Practices**

**AC1.01** – explain the Generally Accepted Accounting Principles (e.g., the accounting entity concept, the cost principle, the objectivity principle);

**AC1.02** – demonstrate an understanding of the roles of credit-rating and regulating agencies (e.g., protecting consumers) and their effects on businesses (e.g., by influencing the cost of borrowing);

**AC1.03** – describe the roles of various agencies (e.g., Canadian Institute of Chartered Accountants, Ontario Securities Commission, Certified General Accountants Association of Ontario, Society of Management Accountants of Ontario) and their effects on accounting practices;

**AC1.04** – demonstrate an understanding of the relationship between accounting principles and accounting practices.

##### **Accounting Cycle**

**AC2.01** – demonstrate the skills required to record transactions, using computer software, for a service business and a merchandising business;

**AC2.02** – explain the advantages of preparing a trial balance and financial statements using computer software;

**AC2.03** – explain how to record adjusting and closing entries using computer software.

##### **Financial Controls**

**AC3.01** – describe the relationship between subsidiary ledgers and control accounts in the general ledger;

**AC3.02** – explain the methods used to safeguard the assets of a business (e.g., copyright, trademarks, goodwill);

**AC3.03** – evaluate the effects of implementing a control system in small and medium-sized businesses (e.g., the effects of separation of duties, division of responsibilities).

##### **Financial Statements**

**AC4.01** – distinguish between the financial statements of a service business, a merchandising business, and a manufacturing business;

**AC4.02** – describe the effects of adjusting and reversing entries on financial statements;

**AC4.03** – analyse alternative methods of amortization and their effects on financial statements;

**AC4.04** – demonstrate an understanding of the skills necessary to prepare a Statement of Retained Earnings and to complete the Shareholders' Equity section of the balance sheet.

---

## Advanced Accounting Practices for Assets

### Overall Expectations

APV.01 · explain accounting procedures for short-term assets;

APV.02 · assess methods of accounting for capital assets;

APV.03 · explain accounting procedures for inventories.

### Specific Expectations

#### Short-Term Assets Accounting

AP1.01 – differentiate between journal entries for all sales (e.g., accounts receivable, credit card sales, debit card sales);

AP1.02 – explain the purpose of a promissory note;

AP1.03 – distinguish between capital expenditures and revenue expenditures.

#### Capital Assets Accounting

AP2.01 – describe costing procedures for plant and equipment, natural resources, and intangibles;

AP2.02 – demonstrate an understanding of amortization and depletion (e.g., methods, revisions, and accounting for disposals);

AP2.03 – describe the methods of accounting for tangible assets, intangible assets, and natural resources (e.g., goodwill, patents, trademarks, copyright).

#### Inventory Control Accounting

AP3.01 – identify and describe the characteristics of the periodic and perpetual inventory systems;

AP3.02 – describe the appropriate use of different methods of inventory valuation (e.g., average cost; first-in, first-out; last-in, first-out; and specific identification methods);

AP3.03 – explain the effects of each method of inventory valuation on financial statements;

AP3.04 – explain the effects of an error in valuing inventory on financial statements;

AP3.05 – analyse the role of technology in the management and control of inventory.

## Financing

### Overall Expectations

FIV.01 · demonstrate an understanding of partnership financing;

FIV.02 · demonstrate an understanding of corporation financing;

FIV.03 · compare alternative forms of financing.

### Specific Expectations

#### The Financing of a Partnership

FII.01 – explain the use of notes payable as a source of funds for short-term financing;

FII.02 – explain the financial impact of the admission of a new partner and of the retirement of a current partner;

FII.03 – assess the different methods of investing in a partnership (e.g., cash, property, other assets).

#### The Financing of a Corporation

FI2.01 – describe the financial structure of a corporate organization;

FI2.02 – explain the use of notes payable as a source of funds for short-term financing;

FI2.03 – describe the features of preferred and common stocks;

FI2.04 – describe an Initial Public Offering and its purpose;

- 
- FI2.05** – explain the advantages and disadvantages of public share ownership for a company;  
**FI2.06** – demonstrate the impact of alternative forms of dividend distribution on shareholders' equity;  
**FI2.07** – demonstrate an understanding of debt financing (e.g., loans, notes payable) and equity financing (e.g., issuance of capital stock) from both the issuer's and the market's point of view.

### **Alternative Forms of Financing**

- FI3.01** – describe situations in which debt financing is preferable to equity financing;  
**FI3.02** – explain the advantages of using long-term borrowing (e.g., bonds) as a method of financing;  
**FI3.03** – describe alternative sources of funding available to business (e.g., venture capital, federal business development bank loans, government grants).

## **Financial Analysis and Decision Making**

### **Overall Expectations**

- FAV.01** · assess the financial strength and weakness of a company on the basis of its annual report;  
**FAV.02** · demonstrate the use of accounting techniques to analyse and compare accounting data;  
**FAV.03** · demonstrate an understanding of contemporary issues in accounting.

### **Specific Expectations**

#### **Annual Reports**

- FA1.01** – describe the purpose of each section common to a corporation's annual report;  
**FA1.02** – demonstrate an understanding of the differences in the annual reports of two corporations;  
**FA1.03** – assess the current and projected financial strength of a corporation from an analysis of its annual report.

#### **Financial Analysis for Decision Making**

- FA2.01** – analyse the costs (e.g., use of credit reporting agencies) and risks (e.g., poor credit risks) for a business of selling on credit;  
**FA2.02** – evaluate the role and impact of accounting information in decision making (e.g., information about the changing size of the labour force, or about the costs and benefits of expansion or downsizing);  
**FA2.03** – analyse the financial status of a company by using comparative information, trend analysis, common size statements, and ratios.

#### **Issues in Accounting**

- FA3.01** – describe the impact of ethical and environmental issues on methods and practices in accounting;  
**FA3.02** – analyse the effects of inflation on financial reporting;  
**FA3.03** – demonstrate how to use current technology (e.g., accounting software, websites, spreadsheets, databases) to gather, classify, and process financial data;  
**FA3.04** – demonstrate how to use current technology (e.g., desktop publishing and spreadsheets) to present summaries of accounting information.

---

## Unit 2: Financing and Business Structures

**Time:** 22 hours

### Unit Description

This unit concentrates on the financing aspects of a business. Students explore and analyse equity and debt financing and investigate the corporation in detail. Students compare alternative forms of financing, demonstrate an understanding of partnership financing, demonstrate an understanding of corporation financing, and demonstrate an understanding of accounting principles and practices. In addition, students explore the financing of a partnership in depth.

### Unit Synopsis Chart

Activity/Time	Learning Expectations	Assessment Categories	Focus
2.1 Notes Payable and Forms of Financing  7 hours	FIV.01, FIV.02, FIV.03, FI1.01, FI2.02, FI3.01, FI3.02, FI3.03	Knowledge/ Understanding Thinking/Inquiry Application Communication	1. Notes payable as a source for short term financing 2. Situations in which debt financing is preferable to equity financing 3. Advantages of using long-term borrowing, e.g., bonds, as a method of financing 4. Alternate sources of funding
2.2 Partnerships  5 hours	ACV.01, FIV.01, AC1.02, FI1.02, FI1.03	Knowledge/ Understanding Thinking/Inquiry Application Communication	1. Partnership accounting – review 2. Expanded partnership accounting 3. Admission, withdrawal, and liquidation 4. Case study
2.3 The Financing of a Corporation  10 hours	FIV.02, APV.01, FI2.01, AP1.02, FI2.03, FI2.04, FI2.05, FI2.06, FI2.07	Knowledge/ Understanding Thinking/Inquiry Application Communication	1. The financial structure of a corporate organization 2. Capital stock and dividends 3. Public vs. private – IPO's 4. Debt vs. equity

### Activity 2.1: Notes Payable and Forms of Financing

**Time:** 7 hours

#### Description

**Activity 2.1.1** introduces students to the fundamental characteristics of a firm's financing methods. They explore regular and discounted notes payable as a form of short-term loans. The teacher demonstrates model journal entries for the issuing and retiring of notes and the appropriate interest calculations. A worksheet gives students the opportunity to practise the skills and competencies needed to process this method of financing.

---

**Activity 2.1.2** deals with the exploration of additional sources of long-term funding. Students learn about the characteristics, advantages, and disadvantages of bond financing and compare it to equity financing. Students investigate the effects of credit-rating and regulatory agencies on how businesses raise capital. They journalize the necessary entries and end with a practice exercise that explores the feasibility of bond financing under different interest rate scenarios.

In **Activity 2.1.3**, students research additional sources of funding available to a firm, such as venture capital, Federal Business Development Bank loans, government grants, mortgages, and leasing. The results of their research are presented to the class in the form of oral reports or electronic presentations.

### **Strand(s) & Learning Expectations**

**Strand(s):** Financing, Financial Analysis and Decision Making

#### **Overall Expectations**

FIV.01 - demonstrate an understanding of partnership financing;  
FIV.02 - demonstrate and understanding of corporation financing;  
FIV.03 - compare alternative forms of financing.

#### **Specific Expectations**

FI1.01 - explain the use of notes payable as a source of funds for short-term financing;  
FI2.02 - explain the use of notes payable as a source of funds for short term financing;  
FI3.01 - describe situations in which debt financing is preferable to equity financing;  
FI3.02 - explain the advantages of using long-term borrowing (e.g., bonds) as a method of financing;  
FI3.03 - describe alternative sources of funding available to business (e.g., venture capital, federal business development bank loans, government grants).

### **Prior Knowledge & Skills**

The prerequisite course, BAF3M, familiarity with percent calculations, Internet research skills

### **Planning Notes**

The teacher:

- prepares notes/handouts;
- photocopies instructions and worksheets for all tasks in Activity 2.1;
- selects appropriate case studies for available texts;
- consults background resources;
- arranges access to computers with Internet connection, if available;
- prepares an oral presentation rubric and oral presentation checklist;
- prepares assessment tools for group presentation and peer assessment (see BTX4C Public);
- prepares a summative test;
- obtain school and board policies related to use of the Internet.

### **Teaching/Learning Strategies**

#### **Activity 2.1.1**

The teacher:

- presents school and board policies related to using the Internet;
- introduces the topic of financing, fills in the classification table in Appendix 2.1.1 with the help of the class, and discusses the categories;
- introduces the topic of short-term notes payable;
- using handout notes, discusses the material in the notes (See Appendix 2.1.2);
- assigns practice exercise for students to apply the material (See Appendix 2.1.3).

---

Students:

- take notes on the topics of financing and short-term notes and participate in the discussion of financial instrument classifications and note payable journal entries;
- practise notes payable journal entries using Appendix 2.1.3.

### Activity 2.1.2

The teacher:

- brainstorms with the class about Advantages and Disadvantages of Debt Financing and Advantages and Disadvantages of Equity Financing;
- summarizes the brainstorming results with the class and develops notes on the topic (See Appendix 2.1.4);
- takes up answer to Challenge (See Appendix 2.1.4.);
- introduces the topic of bond financing using overhead or board notes (See Appendix 2.1.5);
- assigns worksheet (Appendix 2.1.6);
- collects, evaluates, returns, and discusses answers to worksheet (Appendix 2.1.6).

Students:

- brainstorm the topic and develop appropriate notes with teacher assistance;
- answer and discuss Challenge question (Appendix 2.1.4);
- take notes on bond financing and participate in discussion of bond characteristics and bond related journal entries (Appendix 2.1.5);
- complete, hand in, and discuss answers for worksheet (Appendix 2.1.6).

### Activity 2.1.3 – Alternative sources of funding available to business

The teacher:

- divides the class into five teams;
- assigns the research task and explains parameters (Appendix 2.1.7);
- provides opportunity for research and presentation;
- may have to arrange for a computer station and broadcasting tool if electronic presentations are made;
- allows for team or self-evaluation and feedback (See BTX4C Public Presentation Group Work Assessment);
- evaluates team presentations and gives feedback;
- prepares and returns summary test on Activity 2.1.

Students:

- decide on topic and division of group tasks (Appendix 2.1.7);
- research topic;
- present findings to class;
- hand in peer assessment to teacher;
- complete summary test on Activity 2.1. The test allows the student to assess the information they will need for Activity 2.2. If it is used as a diagnostic test for Activity 2.2, a mark is not assigned.

## **Assessment & Evaluation of Student Achievement**

### **Formative**

Knowledge/Understanding, Application – Completion of Notes Payable Worksheet (Appendix 2.1.3)

Thinking/Inquiry – Bonds As A Method of Financing Worksheet (Appendix 2.1.6)

---

Communication, Knowledge/Understanding (and peer assessment of group process) *Presentation Group Work Assessment*, BTX4C Public, *Oral Presentation Checklist* found in BBB4M Public at [www.curriculum.org](http://www.curriculum.org) for presentation on Alternative Sources of Financing (Appendix 2.1.7). Build in time for revisions for formative self-, peer assessment and revisions before the summative evaluation by the teacher.

### **Summative**

Knowledge/Understanding, Thinking/Inquiry, Communication, Application – *Oral Presentation Checklist* found in BBB4E Public at [www.curriculum.org](http://www.curriculum.org) for presentation on Alternative Sources of Financing (Appendix 2.1.7)

Knowledge/Understanding, Application – Summary Test Activity 2.1.

### **Accommodations**

The following are ways in which the activity can meet students' individual needs:

- use peer tutoring to assist students who require more instruction;
- assign tutorial CD-ROM (see Resources) to students for review;
- provide extension activities for students requiring enrichment (see Resources).

*The Ontario Curriculum Unit Planner* provides accommodations.

### **Resources**

Eckart H., H. Freedman, and J. Toste. *Principles of Financial Accounting*. Hamilton: Norbry Publishing, 2002. ISBN 1-55232-071-5 (Textbook) 1-55232-077-4 (Workbook)

Eckart H., H. Freedman, J. Toste, and S. Wambolt. *Accounting for the Workplace 1: Service Business*. ISBN 1-552332-057-X (Textbook) 1-55232-059-6 (Workbook) Simply Accounting Supplement and Teacher Support CD.

Horngrén C., W. Harrison, and W.M. Lemon. *Accounting, Canadian Edition*, Scarborough: Prentice-Hall Canada Inc., 1991. ISBN 0-13-19316-X. See pp. 443-445 for notes payable; pp. 653-662 for bond background information; pp. 676-677 for information on debt versus equity financing.

Larson, K., W. Pyle, M. Zin, et al. *Fundamental Accounting Principles*. Homewood, 1987. ISBN 0-256-03601-2. See pp. 496-501 for notes payable; pp. 703-723 for bond background information.

Meigs, R., W. Meigs, and W. Lam. *Accounting: the Basis for Business Decisions, 6th Canadian edition*. Toronto: McGraw-Hill Ryerson, 1991. ISBN 0-07-551072-3. See pp. 509-512 for notes payable; pp. 709-720 for bond background information.

### Possible websites for Research Assignment

#### **Federal Business Development Bank**

[www.bdc.ca/](http://www.bdc.ca/)

#### **Leasing**

[www.rplc.com/](http://www.rplc.com/)

[www.tmcleasing.com/pages/glossary2.html](http://www.tmcleasing.com/pages/glossary2.html)

#### **Venture Capital**

[www.bcecapital.com/](http://www.bcecapital.com/)

[www.cvca.ca/](http://www.cvca.ca/)

[www.workingventures.ca/](http://www.workingventures.ca/)

#### **Government Grants**

[www.grantscanada.com/](http://www.grantscanada.com/)

[www.grants-loans.org/](http://www.grants-loans.org/)

#### **Mortgages**

[www.cmhc-schl.gc.ca/](http://www.cmhc-schl.gc.ca/)

[www.montrose-on.com/](http://www.montrose-on.com/)

---

## Appendix 2.1.1

### Financing Information Sheet

**Financing:** Acquiring money for business purposes

<b>Purposes of Financing</b>	<b>Nature of Financing</b>
<ul style="list-style-type: none"><li>• To finance operations</li><li>• To acquire assets</li></ul>	<ul style="list-style-type: none"><li>• Short-term</li><li>• Long-term</li></ul>
<b><i>Types of Financing</i></b> <ul style="list-style-type: none"><li>• Debt</li><li>• Equity (Proprietor, Partnership, Corporation)</li></ul>	<b><i>Some Sources of Financing</i></b> <ul style="list-style-type: none"><li>• Bank Loans</li><li>• Accounts Payable</li><li>• Owner Investment</li><li>• Notes Payable</li><li>• Bonds</li><li>• Private Loans</li><li>• Mortgages</li></ul>

Sort the types and sources of financing items listed above into the table below as well as you can.

Short-term Debt Financing	Long-term Debt Financing	Equity Financing
<i>(To conserve space the teacher is asked to add the necessary rows.)</i>		

---

## Appendix 2.1.2

### Notes Payable Information Sheet

A note payable is a promise to pay a certain amount of money by a specified date, including any charges for the use of that money. Notes can be short term, if they are to be paid within one year, or long term, if the repayment period extends over more than one year. In most cases, firms create notes payable when they borrow funds from a bank. It is, however, possible for a firm to issue a note to guarantee an account payable when it is short of cash. In this fashion, it can continue to operate until the necessary revenue has been obtained.

The journal entry for an account payable conversion to a short-term note payable would be made as follows:

DATE		PARTICULARS	DEBIT	CREDIT
May	1	A/P – Smith Ltd.	2000	
		Notes Payable		2000
		Issued an 8% note for 3 months to guarantee debt to Smith Ltd.		
July	31	Notes Payable	2000	
		Interest expense	40	
		Bank		2040
		Paid 3-month 8% note		

The entry on May 1 records the conversion of the account payable to a note payable. In this case, Smith Ltd. agreed to the note because it is able to earn interest on the amount outstanding. The interest in this example is calculated in terms of months, but it is standard to charge interest on a daily basis.

Interest expense calculation:  $\$2000 \times .08 = \$160$  for a full year.  $\$160 \div 12 = \$13.33$  per month.  $13.33 \times 3 = \$40$  for 3 months. In short:  $(2000 \times .08) \div 12 \times 3 = 40$ .

The entry on July 31 shows the payment of the note including the promised interest.

## Appendix 2.1.2 (Continued)

### Short-Term Financing From a Bank

A firm might decide to obtain short-term funds from a bank to finance operations or the purchase of additional fixed assets. In this case, the bank has two options to collect the interest charges on the loan:

- A. Interest charges are to be paid at the end of the lending period. In the example below, the bank collects the total interest charge on the day the note is due.

<i>Date of Loan</i>	<i>Loan Amount</i>	<i>Loan Period</i>	<i>Interest Charge</i>
April 1, 20--	\$12 000	6 months	11%

Here are the corresponding journal entries when the note is issued and when it is paid off.

<b>DATE</b>		<b>PARTICULARS</b>	<b>DEBIT</b>	<b>CREDIT</b>
April	1	Bank	12 000	
		Notes Payable		12 000
		Issued an 11% note for 6 months to bank to finance new truck		
Sept.	30	Notes Payable	12 000	
		Interest Expense	660	
		Bank		12 660
		Paid 6-month, 11% note		

- B. The interest on the loan is calculated at the beginning and the bank deducts this amount from the original loan figure. These interest charges are referred to as a bank discount. In the example below, the bank collects the total interest charged on the day the note is made out.

<i>Issue Date of Note</i>	<i>Note Amount</i>	<i>Note Period</i>	<i>Interest Charge per annum*</i>
April 1, 20--	\$12 000	6 months	11%

\*per annum = per year

Here are the corresponding journal entries when the note is issued and when it is paid off.

<b>DATE</b>		<b>PARTICULARS</b>	<b>DEBIT</b>	<b>CREDIT</b>
April	1	Bank	11 340	
		Interest expense	660	
		Notes Payable		12 000
		Issued an 11% <b>discounted</b> note for 6 months to bank to finance new truck		
Sept.	30	Notes Payable	11 340	
		Bank		11 340
		Paid 6-month, 11% discounted note		

---

## Appendix 2.1.3

### Notes Payable Worksheet

Journalize the following short-term note transactions. Assume that all notes were paid on time and in full.

**Note:** Students should journalize these transactions using the days in the note period.

<i>Issue Date of Note</i>	<i>Type of Note</i>	<i>Note Amount</i>	<i>Note Period</i>	<i>Interest Charge per annum*</i>
February 12	Regular	\$26 300	8 months	7%
May 23	Discounted	\$4800	3 months	6%
June 15	Regular	\$6200	1 month	9%
Sept 19	Discounted	\$18 000	4 months	12%

\*per annum = per year

<b>DATE</b>	<b>PARTICULARS</b>	<b>DEBIT</b>	<b>CREDIT</b>

**Note:** The teacher will need to add rows or supply the student with general journal paper.

## Appendix 2.1.4

### Debt vs. Equity Financing

DEBT FINANCING	
<i>Advantages</i>	<i>Disadvantages</i>
Raises capital	Increases liability
No change in ownership/management claims	Payable when due regardless of whether there is enough profit or cash flow
No dilution of profit sharing	May be too expensive if interest rate is high
Tax advantage: interest is deductible from Gross Income as an expense	

EQUITY FINANCING	
<i>Advantages</i>	<i>Disadvantages</i>
Raises capital	Dilutes profit sharing
No firm commitment to repay principal	May increase voices in management
No commitment to pay profits if there are none	Forgoes tax advantages
No third party claim on assets of the firm	

The following illustration shows the circumstances under which Debt or Equity Financing is more advantageous for the individual investors. All scenarios are based on the assumption that profits are shared equally among owners. There are initially five owners in each case. The time-period involved is one year.

	Scenario 1 Borrow \$50 000 at 10%	Scenario 2 Two new investors contribute \$25 000 each	Scenario 3 Borrow \$50 000 at 20%
Net Income before interest expense and income tax	\$20 000	\$20 000	\$20 000
Interest expense	<u>5000</u>	<u>0</u>	<u>10 000</u>
Net Income before income tax	15 000	20 000	10 000
Income tax (50%)	<u>7500</u>	<u>10 000</u>	<u>5000</u>
Net Income	7500	10 000	5000
Earnings per Investor	<b>\$1500</b>	<b>\$1429*</b>	<b>\$1000</b>

\* Rounded to nearest full \$. (10 000/7 investors)

Challenge: Calculate the break-even interest rate.

---

## Appendix 2.1.5

### Bonds as a Method of Financing

**Bond:** long-term note that promises repayment of a specified amount borrowed on a certain date (maturity date) and regular periodic interest payments to bondholders in the meantime

#### Characteristics

- Long-term debt
- Loans obtained from a large number of lenders rather than one financial institution, e.g., a bank.
- A single lender can provide different forms of financing, e.g., loan, bond.
- Each bond carries face or par value, e.g., the amount borrowed, printed on the certificate (usually \$1000).
- The maturity date and the interest rate are clearly specified.
- The interest is calculated on the face value of the bond.
- The frequency of interest payments is clearly specified (usually semi-annually).
- Bond holders are a company's creditors and have no ownership claims to profits.
- Bond interest must be paid before profits can be paid out. Bond interest is an expense.
- In case a firm declares bankruptcy, bondholders are entitled to their claims before owners.

Journal entries for initial bond issue and half-yearly interest payment:

DATE		PARTICULARS	P.R.	DEBIT	CREDIT
Mar.	1	Bank		800 000	
		Bonds Payable			800 000
		Issued 8% 15-year bonds			
Aug.	31	Bond interest expense		32 000	
		Bank			32 000
		Paid 6-month interest on 8% bonds			

Journal entries for the maturing bonds:

DATE		PARTICULARS	P.R.	DEBIT	CREDIT
Mar.	1	Bonds Payable		80 000	
		Bank			80 000
		Retired 8% 15-year bonds			

---

## Appendix 2.1.6

### Bonds as a Method of Financing Worksheet

1. Based on your notes on debt versus equity financing, set up a table that shows the advantages and disadvantages of bonds as a means of financing.

Bond Financing	
<i>Advantages</i>	<i>Disadvantages</i>
<i>(teacher add rows)</i>	

2. Based on your notes, create original scenarios that demonstrate under what circumstances financing using bonds can be more advantageous than attracting new investors. State your assumptions clearly.

	Scenario 1:	Scenario 2:	Scenario 3:
<i>(teacher add 12 rows)</i>			

3. Show the journal entries for an initial bond sale of \$100 000, 12%, 20-year bonds and their semi-annual interest payment. The sale occurred on June 30.

DATE		PARTICULARS	P.R.	DEBIT	CREDIT
Mar.	1	Bank			
		Bonds Payable			
		Issued 8% 15-year bonds			
Aug.	31	Bond interest expense			
		Bank			
		Paid 6-month interest on 8% bonds			

---

## **Appendix 2.1.7**

### **Alternative Sources of Funding Available to Business**

#### **Research Assignment**

#### **Task Description**

As a group, choose one of the following topics and prepare an oral or an electronic presentation for the class.

- A. Venture Capital
- B. Government Grants
- C. Federal Business Development Bank Loans
- D. Mortgages
- E. Leasing

Your report should include the following:

1. A definition/description of the type of funding
2. Characteristics and mechanics of the funding vehicle
3. Advantages/disadvantages of the funding vehicle
4. Where the funding can be obtained
5. Sample journal entries for the obtaining of the funds, the service/interest charges, and the retirement of the funds
6. A hardcopy fact sheet summarizing the above information to be handed to the class at the end of the presentation

Divide the six tasks among the members of your group. Try to get a group consensus. There will be a chance for peer assessment at the end of the presentation. Make sure you know the name of each group member and the task they have been assigned. All members of the group are equally responsible for the material on presentation day.

---

## Activity 2.2: Partnerships

**Time:** 5 hours

### Description

**Activity 2.2** deals with the financing of a partnership. Students review the creation of a partnership, the admission of a new partner, and the dissolution of a partnership. They examine various ways profits and losses are divided (percentage, capital contributions, fixed drawings plus percentage). They prepare a statement of partners' equity and income statement showing the allocation of net income to the partners' capital accounts.

### Strand(s) & Learning Expectations

**Strand(s):** The Accounting Cycle, Financing

#### Overall Expectations

ACV.01 - demonstrate an understanding of accounting principles and practices;

FIV.01 - demonstrate an understanding of partnership financing.

#### Specific Expectations

AC1.02 - demonstrate an understanding of the roles of credit-rating and regulating agencies (e.g., protecting consumers) and their effects on businesses (e.g., by influencing the cost of borrowing);

FI1.02 - explain the financial impact of the admission of a new partner and of the retirement of a current partner;

FI1.03 - assess the different methods of investing in a partnership (e.g., cash, property, other assets).

### Planning Notes

The teacher:

- assembles a review package on related partnership accounting;
- chooses appropriate text material from the resources section;
- develops handouts on credit-rating and regulatory agencies and the effect these agencies have on the cost of borrowing;
- ensures there are copies of the assessment tools *Written Report Rubric*, BTX4E Public, *Business Report Assessment Tool*, BTX4C Public, and *Oral Presentation Checklist*, BBB4M Public, for students.

### Teaching/Learning Strategies

#### Activity 2.2.1

The teacher:

- reviews the partnership agreement; the types of partnerships (General, Limited); allocation of profits and losses to the partners' equity accounts; preparation of the partnerships statements.

Students:

- complete problems to review the entries and statements. Appendix 2.2.1 – Partnership Review Problems.

---

### Activity 2.2.2

The teacher:

- introduces the entries for the initial investment into a partnership that include the contribution of existing assets, and determining market value for these assets (independent appraisal, black book for cars, etc.).
- introduces three ways of sharing profits and losses: (a) Sharing based on a stated percentage, (b) Sharing based on determined drawings and percentages, and (c) Sharing based on determined drawings and interest;
- assigns problems for the students to finish. Appendix 2.2.2 – Initial Investments and Partners’ Income Statement.

Students:

- prepare a statement of Partners’ allocations that might appear at the bottom of an Income Statement.

### Activity 2.2.3

The teacher:

- teaches the methods for admitting new partners into an existing business: Purchasing an existing partner’s interest, and Investing in the Partnership (with or without a bonus);
- teaches the entries for withdrawal from a partnership. The entries include: Withdrawal at Book Value, Withdrawal at less than Book Value, and Withdrawal at more than Book Value. The final part of this activity deals with the method for handling the sale of non-cash assets and the entries for the Liquidation of a Partnership.

### Activity 2.2.4

The teacher:

- assigns the case study in Appendix 2.2.4a.

Students:

- write the report, using a word processor and spreadsheet, and the Business Report Style in Appendix 2.2.4b. Students self-assess using Written Report Rubric of Business Report Assessment Tool, make revisions, and hand in a summative assessment to the teacher.

## **Assessment & Evaluation of Student Achievement**

### **Formative**

Application Problems

Case study and report (Appendix 2.2.4a and 2.2.4b, *Written Report Rubric*, BTX4E Public, and *Business Report Assessment Tool* – BTX4C Public)

### **Summative**

Test

Case study and report, *Business Report Assessment Tool* – BTX4C Public Course Profile

### **Resources**

Harrison, W., C. Horngren, W.M. Lemon et al. *Accounting*, 5th ed., Chapter 12, Volume 2, Toronto: Pearson Education Canada, 2002. ISBN 0-13-089693-4 (vol 1), ISBN 0-13-089694-2 (Vol 2).

Meigs, R., M. Bettner, and W. Lam. *Accounting: The Basis for Business Decisions*, 8th ed., Vol. 1 & 2. Toronto: McGraw-Hill Ryerson, 1999. ISBN 0075605015 and ISBN 0075605023

Warren, Carl, et al. *Accounting: Canadian Edition*, Chapter 12, Volume 2. Scarborough: ITP Nelson, 1999. ISBN 0-17-616638-6 (Vol 1), ISBN 0-17-616748-x (Vol 2).

---

## Appendix 2.2.1

### Partnership Review Problems

- Lynda Brown and Karen Green formed a partnership called B&G Computer Consulting. Their capital contributions were \$60 000 and \$40 000 for Lynda and Karen respectively. In their first year, their Net Income was \$120 000. Calculate their shares of net income under the following scenarios: (a) There is no written partnership agreement.  
(b) They agreed to divide profits according to their original capital contributions.
- The trial balance for Young & Olde, Partners in Law, is given below. Prepare the Balance sheet given a 60% (Young) 40% (Olde) split of profits. The Net Income for the year was \$180 000.

	Young & Olde Trial Balance December 31, 2001	
	Dr	Cr
Bank	\$5080.20	
A/R	\$17 491.00	
Supplies	\$2635.00	
Prepaid Insurance	\$1800.00	
Equipment	\$133 950.70	
Automobiles	\$32 500.00	
A/P		\$4802.50
GST Payable		\$940.20
GST Recoverable	\$516.80	
Young, Capital		\$44 418.12
Young, Drawings	\$48 000.00	
Olde, Capital		\$35 812.90
Olde, Drawings	\$24 000.00	
Consulting Fees		\$266 263.80
Automobile Expense	\$32 756.04	
General Expense	\$1575.00	
Rent Expense	\$10 000.00	
Telephone Expense	\$1567.00	
Wages Expense	\$40 365.78	
	<hr/>	<hr/>
	\$352 237.52	\$352 237.52

---

## Appendix 2.2.2

### Partnership Problems

#### Initial Investments and Partners' Income Statement

1. Webb and Boyer formed a partnership under the name Paul and Pat's Plumbing. Webb contributed \$3000 cash, plumbing supplies of \$3700, and a van with a market value of \$25 000, which originally cost him \$42 000. Boyer contributed \$12 000 cash and \$6500 worth of tools, which had originally cost \$12 000. Journalize the opening entries for the partnership.
2. Dini Lough and Lynda High formed a partnership under the name DiLyn's Esthetics. The Partnership made a Net Income of \$120 000 for the year ended December 31, 2002. Their Partnership agreement provides for allocation of Profits and Losses based on a percentage of 40% for Dini and 60% for Lynda.
  - Calculate each partner's share of the Net Income.
  - Complete the Financial Statements below:

DiLyn's Esthetics Income Statement For the year Ended December 31, 2002	
Revenues	0
Expenses	<u>80 000.00</u>
Net Income	<u>\$ 120 000.00</u>
Allocation of Net Income:	
To Dini Lough \$	
To Lynda High \$	\$ _____

DiLyn's Esthetics Statement of Partners' Equity For the Year Ended December 31, 2002		
	Dini	Lynda
Capital January 1, 2002	\$ 35 000	\$62 000
Allocations	_____	_____
Subtotals		
Withdrawals	<u>\$( 12 000)</u>	<u>\$( 15 000)</u>
Capital, Dec. 31, 2002	_____	_____

DiLyn's Esthetics Balance Sheet December 31, 2002	
Total Assets	<u>\$190 000</u>
Partners' Equity	
Dini Lough, Capital	\$ _____
Lynda High, Capital	\$ _____
Total Capital	<u>\$ _____</u>

---

## Appendix 2.2.4a

### Partnership Case Study

You are an accountant with Upps and Downs, a small firm of Chartered Accountants. Norm Madd approaches you for some advice about his partnership. Five years ago, Jean Miner and Norm formed a partnership to run their business IT Connections. Their capital contributions were \$100 000 each. They shared profits based on a fixed drawings and percentage method. Miner's fixed drawings were \$25 000 and Madd's were \$35 000. Any excess profits or any losses were divided equally between the two partners.

Madd has expressed displeasure with the way profits and losses are being divided. The agreement does not take into consideration their capital balances, which have changed because of investments and withdrawals by each of them. Miner has withdrawn more from the partnership than Madd has over the five years. Their current capital balances are:

Miner	\$220 000
Madd	\$315 000

Miner put forward two proposals to attempt to solve the problem.

#### *Proposal 1*

- The fixed drawings would be changed, so that Miner and Madd get \$35 000 and \$50 000 respectively.
- Interest of 6% would be allowed on the capital balances at the beginning of each year. The fiscal year of the partnership ends at December 31 of each year.
- Any excess profits would be split equally.

#### *Proposal 2*

- There would be no fixed drawings, and the profits would be based solely on a percentage. Miner would get 40% and Madd would get 60%.

Madd has asked for your advice on the proposals. He has suggested that net income for the next three years should be \$90 000, \$150 000 and \$200 000.

### **Required**

Analyse the data in the case.

Prepare a Business report, using the Business Report Style included with this Case Study.

---

## **Appendix 2.2.4b**

### **Business Report Style**

#### **Parts of the report**

- Cover Page
- Table of Contents
- Executive Summary
- Problem Statement
- Analysis
- Decision Criteria and Alternatives
- Recommendations
- Conclusion

#### **Executive Summary**

This is a brief overview of the report as a whole, outlining the case background, the problem, and, in broad terms, what you recommend. This is the last thing you prepare, but it is the first thing in the report after the Table of Contents.

#### **Problem Statement**

This outlines, in two or three sentences, what the problem is that has to be solved.

#### **Analysis**

This includes all the data that has been analysed. This could be from a spreadsheet file used to organize the data.

#### **Recommendations**

These are what you recommend and why.

#### **Conclusions**

Conclude with a brief summary statement.

---

## Activity 2.3: The Financing of a Corporation

**Time:** 10 hours

### Description

**Activity 2.3** focuses on the corporation. Students are introduced to corporate financing. The teacher introduces the various classes of shares (common and preferred), dividends (cash and stock) and the resultant effects on the equity section. Students explore and evaluate: financing issues, such as IPOs (Initial Public Offering); advantages and disadvantages of public share ownership from a company's perspective; various dividend distributions and their effect on shareholders' equity; and implications and consequences of debt versus equity financing. Students investigate these issues using the Internet, print resources, and/or magazines, and books. Students compile and present the research in report form using electronic tools. Financial report writing and electronic presentation is something that students need to become familiar with and practise in this course, and these issues are excellent topics for that purpose. (See: Introduction to International Business, BBB4M Public, at [www.curriculum.org](http://www.curriculum.org) for an *Oral Presentation Checklist*, BTX4C Public for an *Electronic Presentation Rubric*, Resources for a student tutorial on *PowerPoint*.) Opportunities for self-, peer, and teacher assessment and evaluation are in detail in the fully developed unit.

### Strands(s) & Learning Expectations

**Strand(s):** Financing

#### Overall Expectations

FIV.02 - demonstrate an understanding of corporation financing;

APV.01 - explain accounting procedures for short-term assets.

#### Specific Expectations

FI2.01 - describe the financial structure of a corporate organization;

AP1.02 - explain the purpose of a promissory note;

FI2.03 - describe the features of preferred and common stocks;

FI2.04 - describe an Initial Public Offering and its purpose;

FI2.05 - explain the advantages and disadvantages of public share ownership for a company;

FI2.06 - demonstrate the impact of alternative forms of dividend distribution on shareholders equity;

FI2.07 - demonstrate an understanding of debt financing (e.g., loans, notes payable) and equity financing (e.g., issuance of capital stock) from both the issuer's and the market's point of view.

### Prior Knowledge & Skills

The prerequisite course, BAF3M, Business Structures, Internet Research Skills, Report Writing, Development and Use of Spreadsheets.

### Planning Notes

The teacher:

- assembles material a review package;
- books appropriate computer facilities;
- ensures students know how to access and download corporate documents (see Resources);
- chooses appropriate text material from the resources listed;
- prepares a summative test (see Resources);
- ensures students have copies of assessment tools: *Oral Presentation Checklist*, *Electronic Presentation Rubric*, *Written Report Rubric*, *Business Report Assessment Tool* at the start of the activities.

---

## Teaching/Learning Strategies

### Activity 2.3.1

The teacher:

- reviews the corporation’s structure including what it is, how it is formed, the functions of the board of directors and the corporate officers, and its advantages and disadvantages;
- describes and compares the financial structure of the corporations using the “Liabilities and Shareholders Equity” sections of the various corporate balance sheets;
- distinguishes between current and long-term liabilities (debt) and the various forms of capital stock (equity);
- explains the purpose and the elements of a promissory note;
- explains the use of notes payable as a source of funds for short-term financing including: (a) Explicit interest – interest expense and interest payable, (b) Implicit interest – discount on note, and amortization of the discount.

Students:

- complete the review exercise, Appendix 2.3.1a – Corporation Review;
- obtain the balance sheet of a major public corporation (obtained through SEDAR™, see Resources);
- complete notes payable problems.

### Activity 2.3.2

The teacher:

- introduces the concepts of capital stock, including issuance and stock splitting procedures, and dividends (cash and stock), including declaration and payment;
- describes the features of preferred and common stocks using the various corporate balance sheets;

These include:

<b>Common</b>	<b>Preferred</b>
<ul style="list-style-type: none"><li>• Rights regarding sharing profits and losses</li><li>• Rights regarding voting for directors and in the selection of professional managers</li><li>• Rights regarding sharing in asset distribution upon liquidation of the corporation</li><li>• The preemptive right to subsequent share issuance</li><li>• Non-voting and convertibility market value versus book value</li></ul>	<ul style="list-style-type: none"><li>• Rights regarding dividend payment and accumulation</li><li>• Rights regarding voting and asset distribution</li><li>• Various issues and types such as convertible, redeemable, retractable, and participating</li><li>• Market value versus book value</li></ul>

- explains the process of dividend declaration and distribution for the various types of dividends such as cash, property, and stock.

Students:

- complete the Capital Stock and Dividend accounting problems;
- complete case studies that demonstrates the impact of alternative forms of dividend distribution on shareholders equity;
- analyses a case study in business report style. The case study could take the form of an electronic presentation;
- peer or self-assess their report, make the appropriate corrections, and hand it in for summative teacher evaluation;

---

### Activity 2.3.3

The teacher:

- describes both the concept and the process of an Initial Public Offering of shares and its impact to the company and the shareholders;
- explains the advantages and disadvantages for a company of public share ownership.

Students:

- complete the Initial Public Offering Activity. Appendix 2.3.3 – Initial Public Offering Activity.

### Activity 2.3.4

The teacher:

- reviews performance analysis and the use of accounting information in decision making;
- explains the financial analysis and decision-making concepts used by both the corporation and the market as they relate to (a) Long-term liquidity, e.g., Debt/Equity, (b) Performance, e.g., Leverage, Return on Assets, and Return on Equity, and (c) Analysis, e.g., Cross-sectional, Time-series.

Students:

- complete problems and cases studies that relate to debt vs. equity financing.
- complete the summative unit test.

## **Assessment & Evaluation of Student Achievement**

Knowledge/Understanding, Thinking/Inquiry, Communication Application

### **Formative**

Teacher uses problems for formative assessment purposes.

Self- and peer assessment using the assessment tool that matches the product, case study, report, or electronic presentation. *Oral Presentation Checklist, Electronic Presentation Rubric, Written Report Rubric, Business Report Assessment Tool.*

### **Summative**

Teacher evaluation of case study, report, or electronic presentation, *Oral Presentation Checklist, Electronic Presentation Rubric, Written Report Rubric, Business Report Assessment Tool*, BTX4C Public, BTX4E Public, BBB4E Public found at [www.curriculum.org](http://www.curriculum.org).

Test – Knowledge/Understanding, Thinking/Inquiry (marking scheme)

## **Resources**

Canadian Depository for Securities Inc., System for Electronic Document Analysis and Retrieval (SEDAR) [online – [www.sedar.com](http://www.sedar.com)].

Hoskin, R. E., M. R. Fizzell, and R. A. Davidson. *Financial Accounting: a User Perspective*, 2nd ed. Toronto: John Wiley & Sons Canada, Ltd., 2000. ISBN 0471643726.

Meigs, R., M. Bettner, and W. Lam. *Accounting: The Basis for Business Decisions, Vols. 1 & 2*, 8th ed. Toronto: McGraw-Hill Ryerson, 1999. ISBN 0075605015 and ISBN 0075605023

U.S. Securities and Exchange Commission. Electronic Document Gathering and Retrieval (EDGAR) [online – [www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml)]

Welch, Ivo. Initial Public Offerings Resources. online – [www.iporesources.org](http://www.iporesources.org).

Yahoo! Canada Finance. Initial Public Offerings. online – <http://ca.biz.yahoo.com/ipo/>

Ontario Securities Commission – [www.osc.gov.on.ca](http://www.osc.gov.on.ca)

Toronto Stock Exchange – [www.tse.com](http://www.tse.com)

---

## Appendix 2.3.1a

### Corporation Review

- 1) Describe what a corporation is. Distinguish between a “private” and a “public” corporation.
- 2) List the advantages and disadvantages of the corporation as a form of business organization.

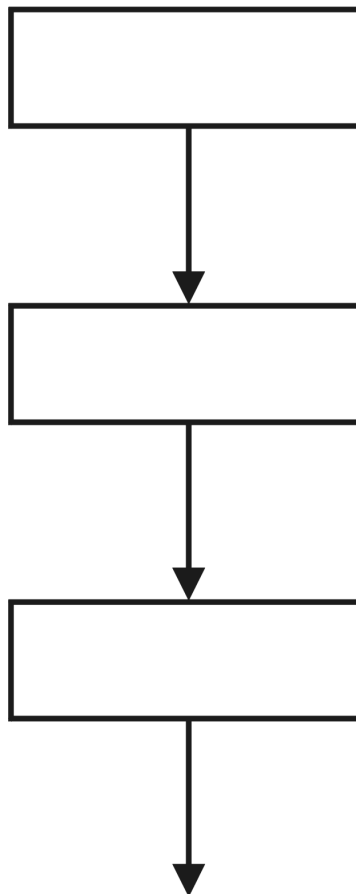
Advantages: list five.

*(teacher adds space)*

Disadvantages: list three.

*(teacher adds space)*

- 3) How is a corporation organized? Fill in the hierarchical structure chart; include the rights and responsibilities of each level, including how each level is chosen.



---

## Appendix 2.3.3

### Debt vs. Equity Financing Case Study

#### Initial Public Offering Activity

In this activity, you will use the Internet to access and subsequently analyse the prospectus of three (3) companies that are about to offer their stock publicly (IPO). Follow the instructions carefully to find the companies' documentation. When you have found one, answer the questions below. Ask your instructor should you have any problems.

1. Go to the Canadian Depository for Securities Inc.'s SEDAR database at [www.sedar.com/search/search\\_form\\_pc\\_en.htm](http://www.sedar.com/search/search_form_pc_en.htm).
2. For "Document Type" select "prospectus" and click on the "Date of Filing" button under Sort documents by...
3. Start at the top. Not all will be for an IPO. If you cannot find three move on to the next step.
4. Go to Yahoo! Canada, Finance at <http://ca.biz.yahoo.com/ipo/> to see which companies are in which stage of their IPO.
5. Most of these will be listing their stock on one of the American stock exchanges. Write down the company names of those who are filing a prospectus.
6. Go to the U.S. Securities Exchange Commission's (S.E.C.) EDGAR database at [www.sec.gov/edgar/searchedgar/formpick.htm](http://www.sec.gov/edgar/searchedgar/formpick.htm) to retrieve the most recent version of that company's prospectus.
7. Type in the company's name and look for the most recent S1 or S1/A document.
8. Now answer the following questions for each:
  - a) What does the company do?
  - b) What was their Net Income for each of the previous three years?
  - c) How much debt do they have?
  - d) How much equity do they already have?
  - e) How many shares are they offering?
  - f) What is the price of each share?
  - g) How much capital do they expect to raise?
  - h) Why are they making a public offering of their shares?
9. Which one of the three IPO's would you subscribe? Why?