+ Semester plan

Lesson Plan

Financial Accounting-1

Paper Code - CC 1.1 Ch

Lesson Plan: Nature of Accounting, Users of Accounting Information, and Qualitative Characteristics of Accounting Information -

Duration: 1 Hour

Objective:

By the end of this lesson, students should be able to:

1. Understand the nature and purpose of accounting.
2. Identify and describe the key users of accounting information.
3. Explain the qualitative characteristics of accounting information.

Materials:

- Whiteboard and markers
- Projector (optional)
- Handouts with definitions and examples

Lesson Breakdown:

Introduction (10 minutes)

- **Objective:** Set the stage by introducing the core topics of the lesson.
- **Activities:**
    1. **Icebreaker (5 minutes):**
        - Ask the students, "What do you think accounting is and why is it important?"
        - Allow a few responses and write key points on the whiteboard.
    2. **Lesson Overview (5 minutes):**
        - Introduce the key topics: Nature of Accounting, Users of Accounting Information, and Qualitative Characteristics of Accounting Information.
        - Briefly explain the importance of accounting in business and society.

Part 1: Nature of Accounting (15 minutes)

- **Objective:** Understand the fundamental nature and role of accounting.
- **Key Concepts:**
    1. **Definition of Accounting:**
        - Accounting is the process of recording, classifying, summarizing, and interpreting financial transactions to provide useful information for decision-making.
    2. **Purpose of Accounting:**
        - To provide financial information for planning, controlling, decision-making, and accountability.
    3. **Types of Accounting:**
        - **Financial Accounting:** Preparation of financial statements for external users.
        - **Management Accounting:** Internal use by management for decision-making and control.
        - **Cost Accounting:** Determining and analyzing costs for efficiency.
        - **Auditing:** Independent examination of financial records to ensure accuracy and compliance.
- **Activity:**
    1. **Discussion (5 minutes):**
        - Ask the students to think about an example of accounting in a business or personal context and discuss how it helps in decision-making.
        - Examples can include businesses preparing financial statements or individuals managing household budgets.

Part 2: Users of Accounting Information (15 minutes)

- **Objective:** Identify and understand the various users of accounting information.
- **Key Users:**
    1. **Internal Users:**
        - **Management:** Use financial data for planning, control, and decision-making.
        - **Employees:** Interested in job security, salaries, and the financial stability of the company.
    2. **External Users:**

- **Investors/Shareholders:** Interested in the company's profitability, growth, and returns.
- **Creditors:** Banks or suppliers who need information about a company's ability to repay loans or debts.
- **Government:** Regulatory bodies that require financial information for taxation and policy-making.
- **Customers and Suppliers:** Want to ensure the company's stability and ability to continue providing goods or services.

- **Activity:**
  1. **Group Discussion (5 minutes):**
     - Divide the class into small groups. Each group will identify one user of accounting information and explain how they use the information. Groups then share their findings with the class.

Part 3: Qualitative Characteristics of Accounting Information (15 minutes)

- **Objective:** Understand the key qualitative characteristics that make accounting information useful.
- **Key Characteristics:**
  1. **Relevance:**
     - Information must be capable of influencing decisions. It should be timely and provide predictive or confirmatory value.
  2. **Faithful Representation:**
     - Information must be complete, neutral, and free from error. It should reflect the actual financial status of the entity.
  3. **Comparability:**
     - Information should be presented in a consistent manner to allow comparison across periods and between entities.
  4. **Verifiability:**
     - Information should be supported by evidence, such as invoices or receipts, and should be capable of being checked for accuracy.
  5. **Timeliness:**
     - Information should be provided in time for decision-making, not outdated or delayed.
  6. **Understandability:**
     - Information should be presented clearly, using simple language and appropriate formats.

- **Activity:**

    1. **Example Application (5 minutes):**

        - Provide a case study or example where a business's accounting information is either relevant or not relevant. Discuss the impact of the characteristics on decision-making.
        - Ask students to give examples of accounting information they have encountered and evaluate whether it met these qualitative characteristics.

Conclusion (5 minutes)

- **Review:**
    - Recap the key points:
        - Nature and purpose of accounting
        - Who uses accounting information
        - The essential qualitative characteristics of accounting information.
- **Q&A (5 minutes):**
    - Open the floor for any questions and clarifications on the topics covered.
    - Optionally, assign a short reading or homework to reinforce the lesson.

Assessment:

- **Formative Assessment:**
    - Evaluate student participation in discussions and activities.
    - Ask a few students to summarize key concepts in their own words.
- **Summative Assessment (Optional):**
    - A short quiz or assignment on the nature of accounting, users, and qualitative characteristics can be assigned for further evaluation.

Homework (Optional):

- **Research Task:**
    - Ask students to research a recent financial scandal and analyze how a lack of qualitative characteristics in accounting information might have contributed to the issue.

Lesson Plan: Bases of Accounting & Basic Concepts and Conventions

Duration: 1 Hour

Objective:

By the end of this lesson, students should be able to:

1. Understand the two primary bases of accounting: cash basis and accrual basis.
2. Learn about the basic concepts and conventions in accounting and their significance.

Materials:

- Whiteboard and markers
- Projector (optional)
- Handouts with definitions and examples

Lesson Breakdown:

Introduction (5 minutes)

- **Objective:** Provide an overview of the lesson's content and engage students.
- **Activities:**
    1. **Icebreaker (2 minutes):**
        - Ask students, "What do you think is the difference between cash and credit transactions in business?"
        - Discuss briefly and write key points on the board.
    2. **Lesson Overview (3 minutes):**
        - Introduce the main topics of the lesson: bases of accounting (cash basis vs. accrual basis) and basic concepts and conventions used in accounting.

Part 1: Bases of Accounting (Cash Basis vs. Accrual Basis) (15 minutes)

- **Objective:** Understand the difference between cash basis and accrual basis accounting.
- **Key Concepts:**
    1. **Cash Basis Accounting:**
        - Revenues are recognized when cash is received.
        - Expenses are recognized when cash is paid.
        - **Advantages:** Simple to implement, more suited for small businesses.

- **Disadvantages:** Does not match revenues with expenses; does not provide a true picture of financial position.

2. **Accrual Basis Accounting:**
   - Revenues are recognized when earned, regardless of when cash is received.
   - Expenses are recognized when incurred, regardless of when cash is paid.
   - **Advantages:** More accurate reflection of financial performance, complies with accounting standards.
   - **Disadvantages:** More complex, requires more record-keeping.

- **Activity:**
  1. **Class Discussion (5 minutes):**
     - Ask students to think about a business example and decide which accounting basis would be most appropriate. For instance, should a retail store use cash or accrual accounting? Why?
  2. **Practical Example (5 minutes):**
     - Present a simple example to illustrate the difference:
       - **Cash Basis:** A business sells a product for $1,000, but the customer pays after one month. Under cash basis, revenue is recognized when cash is received.
       - **Accrual Basis:** The same sale occurs, but the revenue is recognized immediately when the sale is made, not when the cash is received.
     - Ask students to identify the difference in recognizing revenue in each method.

Part 2: Basic Concepts and Conventions in Accounting (30 minutes)

- **Objective:** Understand key accounting concepts and conventions that guide financial reporting.
- **Key Concepts and Conventions:**
  1. **Entity Concept:**
     - The business is separate from its owners. The financial activities of the business are recorded separately from personal finances.
  2. **Money Measurement Concept:**
     - Only transactions that can be measured in monetary terms are recorded in the accounting records.
  3. **Going Concern Concept:**

- Assumes that the business will continue to operate indefinitely unless there is evidence to the contrary.

4. **Cost Concept:**
   - Assets are recorded at their historical cost, not their market value.
5. **Realization Concept:**
   - Revenues are recognized when they are earned, not when cash is received.
6. **Accruals Concept:**
   - Revenue and expenses are recorded when they are earned or incurred, not when cash is received or paid.
7. **Periodicity Concept:**
   - Financial statements should be prepared for specific periods (e.g., monthly, quarterly, annually).
8. **Consistency Concept:**
   - The same accounting methods and principles should be applied consistently over time to ensure comparability.
9. **Prudence (Conservatism) Concept:**
   - Revenues and profits should not be anticipated, but expenses and losses should be recognized as soon as they are foreseen.
10. **Materiality Concept:**

- Only significant information should be disclosed in financial statements. Small amounts that do not influence decision-making may be disregarded.

11. **Matching Concept:**

- Expenses should be matched with the revenues they help generate within the same accounting period.

12. **Full Disclosure Concept:**

- All relevant financial information should be disclosed in the financial statements so that users can make informed decisions.

- **Activity:**

1. **Concepts in Action (10 minutes):**
   - Break students into small groups and assign each group one of the accounting concepts listed above. Each group will explain their concept using a real-world business example (e.g., for "Going Concern," discuss how a company's long-term sustainability is assessed).
2. **Class Discussion (5 minutes):**

- After groups present their explanations, open the floor for a brief discussion. Ask students to relate these concepts to businesses they know or current events in the financial world.

Conclusion (5 minutes)

- **Review (3 minutes):**
  - Recap the main points covered:
    - Difference between cash and accrual accounting.
    - Key accounting concepts and conventions that guide financial reporting.
- **Q&A (2 minutes):**
  - Open the floor for any questions and provide clarification on difficult concepts.

Assessment:

- **Formative Assessment:**
  - Evaluate student participation in group activities and class discussions.
  - Ask students to identify and briefly explain two accounting concepts they find most useful.
- **Summative Assessment (Optional):**
  - A short quiz or assignment to assess their understanding of the bases of accounting and the accounting concepts.

Homework (Optional):

- **Research Task:**
  - Assign students to research how a company in the news uses accrual or cash accounting and discuss how it affects the company's financial statements.

Lesson Plan: The Nature of Depreciation and Accounting of Depreciation

Duration: 1 Hour

Objective:

By the end of this lesson, students should be able to:

1. Understand the nature of depreciation.
2. Learn the accounting concept of depreciation.
3. Identify the factors involved in measuring depreciation.

Materials:

- Whiteboard and markers
- Projector (optional)
- Handouts with definitions, examples, and formulas

Lesson Breakdown:

Introduction (5 minutes)

- **Objective:** Set the stage by introducing depreciation and its importance in accounting.
- **Activities:**
    1. **Icebreaker (2 minutes):**
        - Ask students: "What happens to the value of a car, machine, or building over time?"
        - Write key responses on the board (e.g., wear and tear, aging).
    2. **Lesson Overview (3 minutes):**
        - Introduce the topic: "Today, we'll learn about depreciation—how and why the value of assets decreases over time and how businesses account for it."

Part 1: The Nature of Depreciation (15 minutes)

- **Objective:** Define depreciation and explain its significance in accounting.
- **Key Concepts:**
    1. **What is Depreciation?**
        - Depreciation refers to the systematic allocation of the cost of a tangible asset over its useful life.

- It reflects the decrease in the asset's value due to factors such as wear and tear, obsolescence, or age.

2. **Why is Depreciation Necessary?**
    - Helps match the cost of an asset to the revenue it generates over time (the **matching principle** in accounting).
    - Provides a more accurate financial picture by reflecting the true value of assets.
    - Ensures that businesses do not overstate their profits by not accounting for the depreciation of long-term assets.
3. **Types of Assets Affected by Depreciation:**
    - Depreciation applies to **tangible fixed assets** (e.g., buildings, machinery, vehicles, computers), but **intangible assets** (e.g., patents, goodwill) are depreciated differently (amortization).

- **Activity:**
    1. **Class Discussion (5 minutes):**
        - Ask the students to think of examples of assets in a business that would depreciate (e.g., vehicles in a delivery company).
        - Discuss the possible reasons for the decrease in value (wear and tear, technological advancements, etc.).

Part 2: The Accounting Concept of Depreciation (20 minutes)

- **Objective:** Understand the accounting treatment of depreciation and the methods used to calculate it.
- **Key Concepts:**
    1. **Accounting Treatment:**
        - Depreciation is recorded as an **expense** on the income statement and as a **reduction in the asset's value** on the balance sheet (via accumulated depreciation).
        - Depreciation is a non-cash expense, meaning it does not affect cash flow directly but reduces taxable income.
    2. **Methods of Depreciation:**
        - **Straight-Line Method:**
            - Depreciation is spread evenly over the asset's useful life.
            - Formula:
              Annual Depreciation=Cost of Asset−Residual ValueUseful Life\text{Annual Depreciation} = \frac{\text{Cost of Asset} - \text{Residual

Value)}{\text{Useful
Life}}Annual Depreciation=Useful LifeCost of Asset−Residual Value

- **Declining Balance Method:**
  - Depreciation is higher in the earlier years of the asset's life and decreases over time.
  - Formula:
    Depreciation=Book Value at Beginning of Year×Depreciation Rate\text{Depreciation} = \text{Book Value at Beginning of Year} \times \text{Depreciation
    Rate}Depreciation=Book Value at Beginning of Year×Depreciation Rate
- **Units of Production Method:**
  - Depreciation is based on the asset's usage or output, not just time.
  - Formula:
    Depreciation per Unit=Cost of Asset−Residual ValueTotal Estimated Production\text{Depreciation per Unit} = \frac{\text{Cost of Asset} - \text{Residual Value}}{\text{Total Estimated
    Production}}Depreciation per Unit=Total Estimated ProductionCost of Asset−Residual Value

3. **Factors Affecting Depreciation:**
   - **Cost of Asset:** The initial cost or purchase price of the asset.
   - **Useful Life:** The period over which the asset is expected to be used.
   - **Residual Value:** The estimated value of the asset at the end of its useful life (salvage value).
   - **Depreciation Method:** The approach used to allocate the depreciation expense (e.g., straight-line or declining balance).

- **Activity:**
  1. **Example Problem (10 minutes):**
     - Present a simple example and walk students through the calculation of depreciation using the straight-line method:
       - **Example:** A company purchases a machine for $50,000 with a residual value of $5,000 and a useful life of 10 years. Calculate the annual depreciation.
       - **Solution:** 50,000−5,00010=4,500\frac{50,000 - 5,000}{10} = 4,5001050,000−5,000 =4,500 (Annual Depreciation).
     - Have students try calculating depreciation for a different scenario (e.g., using the declining balance method).

Part 3: Factors in the Measurement of Depreciation (15 minutes)

- **Objective:** Delve deeper into the factors that influence depreciation and its accurate measurement.
- **Key Factors:**
    1. **Asset Cost:**
        - Includes the purchase price plus any costs necessary to get the asset ready for use (installation, shipping, etc.).
    2. **Residual (Salvage) Value:**
        - The estimated amount an asset will be worth at the end of its useful life.
        - Important in determining how much of the cost will be depreciated.
    3. **Useful Life:**
        - The expected period over which the asset will provide economic benefits.
        - Can be influenced by factors such as wear and tear, technological obsolescence, or legal limits (e.g., patents expiring).
    4. **Depreciation Method:**
        - Choosing the right depreciation method affects how the depreciation expense is allocated over time.
        - Businesses may choose methods based on their usage patterns or financial strategies.
- **Activity:**
    1. **Case Study (5 minutes):**
        - Present a real-world case study or scenario where students need to evaluate the depreciation method and the factors affecting it. For example, consider a company that uses a fleet of delivery trucks. Ask students to identify the cost, useful life, residual value, and choose an appropriate depreciation method.

Conclusion (5 minutes)

- **Review (3 minutes):**
    - Summarize key points:
        - The nature of depreciation and why it is important.
        - The accounting treatment of depreciation.
        - Key factors influencing depreciation calculations (asset cost, residual value, useful life).
- **Q&A (2 minutes):**

- Open the floor for questions and clarification.

Assessment:

- **Formative Assessment:**
  - Evaluate student participation in discussions and activities.
  - Monitor their ability to calculate depreciation using various methods and understand the factors that affect it.
- **Summative Assessment (Optional):**
  - A short quiz or assignment to assess understanding of depreciation concepts, methods, and factors.

Homework (Optional):

- **Research Task:**
  - Ask students to find an example of an asset in a business (e.g., machinery or vehicles) and explain how depreciation is accounted for in that business. They should discuss the method used and the factors that affect the depreciation calculation.

Duration: 1 Hour

Objective:

By the end of this lesson, students should be able to:

1. Understand the concept of depreciation and the need for its calculation.
2. Learn how to compute depreciation using the **Straight-Line Method** and the **Diminishing Balance Method.**
3. Apply both methods to practical examples.

Materials:

- Whiteboard and markers
- Projector (optional)
- Handouts with formulas, examples, and calculation steps (optional)

Lesson Breakdown:

Introduction (5 minutes)

- **Objective:** Introduce depreciation and its importance in financial accounting.
- **Activities:**
    1. **Icebreaker (2 minutes):**
        - Ask students, "What happens to a car, machine, or building over time in terms of value?"
        - Write down key responses (e.g., wear and tear, obsolescence).
    2. **Lesson Overview (3 minutes):**
        - Briefly explain that depreciation is the reduction in the value of tangible fixed assets over time.
        - Introduce the two primary methods used to compute depreciation: the **Straight-Line Method** and the **Diminishing Balance Method.**

Part 1: The Straight-Line Method (20 minutes)

- **Objective:** Understand how to calculate depreciation using the straight-line method and apply it in examples.
- **Key Concepts:**
    1. **Straight-Line Method:**
        - Depreciation is spread evenly over the useful life of the asset.

- **Formula:**
  Annual Depreciation=Cost of Asset−Residual ValueUseful Life of the Asset\text{Annual Depreciation} = \frac{\text{Cost of Asset} - \text{Residual Value}}{\text{Useful Life of the Asset}}Annual Depreciation=Useful Life of the AssetCost of Asset−Residual Value

- **Explanation:**
  - **Cost of Asset:** The purchase price of the asset.
  - **Residual Value (Salvage Value):** The expected value of the asset at the end of its useful life.
  - **Useful Life:** The period over which the asset is expected to be used by the business.

2. **Example Calculation:**
   - Suppose a company purchases a machine for $50,000, with a residual value of $5,000, and a useful life of 10 years.
   - Calculate annual depreciation:
     Annual Depreciation=50,000−5,00010=4,500 per year.\text{Annual Depreciation} = \frac{50,000 - 5,000}{10} = 4,500 \, \text{per year}.Annual Depreciation=1050,000−5,000 =4,500per year.

- **Activity:**
  1. **Group Exercise (10 minutes):**
     - Provide students with a similar example where they need to calculate depreciation using the straight-line method.
     - **Example:** A truck costs $30,000, has a residual value of $3,000, and is expected to last 6 years.
     - Allow students to work in pairs or small groups to calculate the depreciation.
  2. **Discussion (5 minutes):**
     - Go over the solution to the example and discuss the results. Encourage students to ask questions if they have difficulty with the formula or interpretation of values.

Part 2: The Diminishing Balance Method (20 minutes)

- **Objective:** Understand how to calculate depreciation using the diminishing balance method and apply it in examples.
- **Key Concepts:**
  1. **Diminishing Balance Method:**

- Depreciation is calculated on the **book value** (cost minus accumulated depreciation) of the asset at the beginning of each period.
- The depreciation amount decreases each year because it is based on the remaining book value.
- **Formula:**
  Depreciation for the year=Book Value at Beginning of Year×Depreciation Rat e\text{Depreciation for the year} = \text{Book Value at Beginning of Year} \times \text{Depreciation Rate}Depreciation for the year=Book Value at Beginning of Year×Depreciatio n Rate
- **Depreciation Rate:** The percentage of depreciation charged each year, often determined by the company or tax regulations.

2. **Example Calculation:**
   - Suppose a company buys equipment for $40,000 with a depreciation rate of 20% per year.
   - For the first year: Depreciation=40,000×20%=8,000\text{Depreciation} = 40,000 \times 20\% = 8,000Depreciation=40,000×20%=8,000
   - For the second year, the book value is reduced to $32,000 (40,000 - 8,000), so: Depreciation=32,000×20%=6,400\text{Depreciation} = 32,000 \times 20\% = 6,400Depreciation=32,000×20%=6,400
   - This continues each year, with depreciation decreasing as the book value declines.

- **Activity:**
  1. **Group Exercise (10 minutes):**
     - Provide students with an example to calculate depreciation using the diminishing balance method.
     - **Example:** A company purchases a machine for $25,000 with a 30% depreciation rate. Calculate depreciation for the first 3 years.
     - Have students calculate the depreciation for each year and track the decreasing book value.
  2. **Discussion (5 minutes):**
     - Review the solution for the diminishing balance method. Discuss why the depreciation is higher in the first few years compared to the straight-line method.
     - Encourage students to ask questions or seek clarification about the diminishing balance method.

- **Review (3 minutes):**
    - Summarize the two methods of depreciation:
        - The **Straight-Line Method** spreads depreciation evenly over the asset's useful life.
        - The **Diminishing Balance Method** calculates depreciation on the remaining book value, leading to higher depreciation in the earlier years.
    - Emphasize the importance of choosing the correct method based on the asset's use and the business's financial reporting needs.
- **Q&A (2 minutes):**
    - Open the floor for any remaining questions or clarifications.

Assessment:

- **Formative Assessment:**
    - Observe student participation in group exercises and discussions.
    - Evaluate their ability to apply the depreciation formulas correctly.
- **Summative Assessment (Optional):**
    - A short quiz at the end of the lesson where students calculate depreciation using both the straight-line and diminishing balance methods for different examples.

Homework (Optional):

- **Problem-Solving Task:**
    - Assign students a set of problems where they need to calculate depreciation using both methods. For example, they might be given a machine with different purchase costs, useful lives, residual values, and depreciation rates for each method.

Lesson Plan