

**Sample Test Questions  
(with suggested answers in bold)**

**Capital Assets**

Record the journal entries required for a vehicle that was traded in plus a \$12 000.00 cash payment for a new vehicle valued at \$18 000.00 on January 1, 19yy. The old vehicle cost \$16 000.00 and the Accumulated Depreciation as of December 31, 19xx, amounted to \$11 000.00. Assume the trade-in value equals the book value.

Date	Account Title	Post Ref	Debits	Credits
<b>19yy</b>				
<b>Jan. 1</b>	<b>Accumulated Depreciation</b>		<b>11 000.00</b>	
	<b>Vehicle</b>		<b>17 000.00</b>	
	<b>Vehicle</b>			<b>16 000.00</b>
	<b>Cash</b>			<b>12 000.00</b>

Tanover Ltd. acquired some plant machinery at the beginning of Year 1. The machinery has an estimated service life of five years. The cost of the machinery is \$15 500 and has a salvage value of \$1500. Prepare the depreciation schedules for this asset using (1) the straight-line method and (2) the declining balance method.

	Straight-Line Method	Declining Balance Method (40%)
Year 1	2 800	5 600
Year 2	2 800	3 360
Year 3	2 800	2 016
Year 4	2 800	1 210
Year 5	2 800	726
Total Depr.	14 000	12 912
Plus Salvage	1 500	
Total	15 500	

At the end of Year 3, Tanover Ltd. showed a profit on its financial statements of \$27 000 based on the straight-line method of depreciation. How would the declining balance method affect the profit for Year 3?

Carl's Plumbing & Heating Services has the following capital assets. The business uses the straight-line method of depreciation. Assume that all equipment was purchased on January 1, 19xx.

Item	Purchase Price	Estimated Life	Est. Salvage Value
Computer	\$4 000.00	5 years	\$400.00
Photocopier	\$1 800.00	5 years	\$200.00
Truck	\$22 000.00	8 years	\$3 000.00

Complete the capital assets register for December 31, 19xx.

Item	Purchase Cost (Disposal	Annual Depreciation Expense	Accumulated Depreciation	Undepreciated Book Value
<b>Computer</b>	<b>4 000.00</b>	<b>720.00</b>	<b>720.00</b>	<b>3 280.00</b>
<b>Photocopier</b>	<b>1 800.00</b>	<b>320.00</b>	<b>320.00</b>	<b>1 480.00</b>
<b>Subtotals</b>	<b>5 800.00</b>	<b>1 040.00</b>	<b>1 040.00</b>	<b>4 760.00</b>
<b>Truck</b>	<b>22 000.00</b>	<b>2 375.00</b>	<b>2 375.00</b>	<b>19 625.00</b>
<b>Totals</b>	<b>27 800.00</b>	<b>3 415.00</b>	<b>3 415.00</b>	<b>24 385.00</b>

Use the capital assets register to make the journal entry for the depreciation adjustment.

Date	Account Title	Post Ref	Debits	Credits
<b>19xx</b>				
<b>Dec. 31</b>	<b>Depreciation Expense</b>		<b>3 415.00</b>	
	<b>Accumulated Depr – Office Equip</b>			<b>1 040.00</b>
	<b>Accumulated Depreciation – Truck</b>			<b>2 375.00</b>

**Uncollectible Accounts**

Concordia Company ages its accounts receivable to estimate its bad debts expense. Current accounts receivable have been aged and entered in the following chart.

Total the columns in the chart and calculate the bad debts estimate for the year ending December 31, 19xx.

Customer	Net Yet Due	1-30 Days	31-60 Days	61-90 Days	Over 90 Days
A. Anderson	1 400				
C. Davidson		1 200			
R. Harrison	600				
S. Sanders			150		
R. Pichonsky					100
R. Flanders	1 225				
C. Austin		1 150			
E. Buss				250	
B. Villeneuve	400				
E. Douglas			150		
L. Cameron		200			
<b>Totals</b>	<b>3 625</b>	<b>2 550</b>	<b>300</b>	<b>250</b>	<b>100</b>
% Uncollectible	1%	2%	4%	15%	30%
Allowance for Doubtful Accounts	<b>36.25</b>	<b>51.00</b>	<b>12.00</b>	<b>37.50</b>	<b>30.00</b>

Journalize the adjusting entry.

Date	Account Title	Post Ref	Debits	Credits
<b>19xx</b>				
<b>Dec. 31</b>	<b>Bad Debt Expense</b>		<b>166.75</b>	
	<b>Allowance for Doubtful Accounts</b>			<b>166.75</b>

Suzanne does the account for her small business, The Sweet Shop. She uses a percentage (2%) of accounts receivable to calculate her uncollectible accounts. At the end of June, her total accounts receivable was \$854.00. Prepare the journal entry to record this calculation.

Date	Account Title	Post Ref	Debits	Credits
<b>19xx</b>				
<b>June 30</b>	<b>Bad Debt Expense</b>		<b>17.08</b>	
	<b>Allowance for Doubtful Accounts</b>			<b>17.08</b>

Anna’s Floral Shop uses the direct write-off method for the few bad debts it has. Selected accounts and a general journal are given.

Journalize the transactions given in the general journal.

19xx

June 5 Sold merchandise to M. Anderson on account, \$120.

Nov. 9 Anderson's account was deemed uncollectible and written off.

Dec. 7 A cheque was received in the mail paying Anderson's account in full.

Date	Account Title	Post Ref	Debits	Credits
<b>19xx</b>				
<b>June 5</b>	<b>Accounts Receivable / M. Anderson</b>	<b>104</b>	<b>120.00</b>	
	<b>Sales</b>	<b>401</b>		<b>120.00</b>
<b>Nov. 9</b>	<b>Bad Debts Expense</b>	<b>605</b>	<b>120.00</b>	
	<b>Accounts Receivable / M. Anderson</b>	<b>104</b>		<b>120.00</b>
	<b>wrote off uncollectible account</b>			
<b>Dec. 7</b>	<b>Accounts Receivable / M. Anderson</b>	<b>104</b>	<b>120.00</b>	
	<b>Bad Debts Collected</b>	<b>402</b>		<b>120.00</b>
	<b>To restore accounts receivable</b>			
<b>Dec. 7</b>	<b>Cash</b>	<b>101</b>	<b>120.00</b>	
	<b>Accounts Receivable / M. Anderson</b>	<b>104</b>		<b>120.00</b>

**Accruals**

Alby's Services has accrued salaries of \$9 000 at the end of the accounting period December 31, 19xx.

Journalize the adjusting entry for accrued salaries.

Journalize the closing entry for accrued salaries.

Journalize the reversing entry for accrued salaries. Use January 2, 19yy for this entry.

Date	Account Title	Post Ref	Debits	Credits
<b>19xx</b>	<b>Adjusting Entries</b>			
<b>Dec. 31</b>	<b>Salaries Expense</b>	<b>622</b>	<b>9 000.00</b>	
	<b>Salaries Payable</b>	<b>401</b>		<b>9 000.00</b>
	<b>Closing Entries</b>			
<b>Dec. 31</b>	<b>Income Summary</b>	<b>303</b>	<b>9 000.00</b>	
	<b>Salaries Expense</b>	<b>622</b>		<b>9 000.00</b>
<b>19yy</b>	<b>Reversing Entries</b>			
<b>Jan. 2</b>	<b>Salaries Payable</b>	<b>222</b>	<b>9 000.00</b>	
	<b>Salaries Expense</b>	<b>622</b>		<b>9 000.00</b>

**Option 1: Manufacturing**

Prepare the journal entries to charge the actual expenses to Factory Overhead and to calculate and apply Factory Overhead to Work in Progress. Record the entries as of April 30, 19xx on page 128 of a general journal. If there is a difference, close the Factory Overhead account. Number the source documents Memo No. 472, 473 and 474.

Actual Expenses:

- Depreciation Expense    Factory Building, \$358.00
- Depreciation Expense    Factory Equipment, \$823.40
- Maintenance Expense    Factory, \$2 816.60
- Miscellaneous Expense    Factory, \$1 128.30
- Payroll Taxes Expense    Factory, \$992.90
- Supplies Expense         Factory, \$2 478.10

Overhead is applied at the rate of 115% of Direct Labour.

Direct Labour is \$7 319.78.

19xx		Debits	Credits
<b>Apr. 30</b>	<b>Factory Overhead</b>	<b>8 597.30</b>	
	<b>Depreciation Expense - Factory Building</b>		<b>358.00</b>
	<b>Depreciation Expense - Factory Equipment</b>		<b>823.40</b>
	<b>Maintenance Expense - Factory</b>		<b>2 816.60</b>
	<b>Miscellaneous Expense - Factory</b>		<b>1 128.30</b>
	<b>Payroll Taxes Expense - Factory</b>		<b>992.90</b>
	<b>Supplies Expense - Factory</b>		<b>2 478.10</b>
	<b>Memo No. 472</b>		
<b>Apr. 30</b>	<b>Work in Progress</b>	<b>8 417.75</b>	
	<b>Factory Overhead</b>		<b>8 417.75</b>
	<b>Memo No. 473</b>		
<b>Apr. 30</b>	<b>Income Summary</b>	<b>179.55</b>	
	<b>Factory Overhead</b>		<b>179.55</b>
	<b>Memo No. 474</b>		

**Option 2: Department Accounting**

The Toy Shop has three departments: Toys, Games and Puzzles. The transactions listed were completed during November.

Record the transactions on page 11 of a sales journal.

- Nov. 1 Sold toys on account to Cindy Ray, \$56.00. S34.
- 3 Sold the following on account to Phillips Amusements Co.: toys, \$345.00; games, \$125.00; puzzles, \$89.50.
- 5 Sold puzzles, \$32.50, to Ray Williams on account. S36
- 7 Sold on account to Jason Wine, \$64.75, in puzzles. S37.
- 9 Sold \$67.25 in games on account to Susan Worth. S38.
- 14 Sold toys on account to Randy Kean, \$34.00. S39.
- 18 Sold games, \$59.00, and puzzles, \$78.50, on account to Heidi Johansson. S40.
- 22 Sold toys, \$456.70, puzzles, \$124.00, and games, \$205.50, on account to Barry Jacks. S41.
- 25 Sold games worth \$27.50 on account to Barb Rondy. S42.
- 28 Sold puzzles on account to Garret Owns, \$56.45. S43.
- 30 Sold toys, \$56.90, and puzzles, \$34.50, on account to Jamie Cardinal. S44.

**(Total and rule the sale journal?)**

**(Post the special columns of the sales journal to the general ledger?)**

Date	Account Debited	Sale #	Post Ref	Accts. Rec. Debit	Sales Credit		
					Toys	Games	Puzzles
<b>19xx</b>							
Nov. 1	Cindy Ray	34		56.00	56.00		
3	Phillips Amusement Co.	35		559.50	345.00	125.00	89.50
5	Ray Williams	36		32.50			32.50
7	Jason Wine	37		64.75			64.75
9	Susan Worth	38		67.25		67.25	
14	Randy Kean	39		34.00	34.00		
18	Heidi Johansson	40		137.50		59.00	78.50
22	Barry Jacks	41		786.20	456.70	205.50	124.00
25	Barb Rondy	42		27.50		27.50	
28	Garret Owns	43		56.45			56.45
30	Jamie Cardinal	44		91.40	56.90		34.50
30	<b>Totals</b>			<b>1 913.05</b>	<b>948.60</b>	<b>484.25</b>	<b>480.20</b>

**Sample Concept Test  
(with suggested answers in bold)**

**Price/Cost**

A clothing store has a monthly income statement that shows the following figures:

Sales, 100 dresses	7 000.00
Cost of Goods Sold, 100 dresses	4 000.00
Gross Income Before Expenses	3 000.00
Expenses	1 250.00
Net Income	1 750.00

Individual dresses were purchased at varying prices and sold at varying prices.

What is the unit cost of a dress before expenses? **\$40.00**

What is the unit cost of a dress after expenses? **\$52.50**

What is the unit selling price of a dress? **\$70.00**

Suppose the store manager decides to purchase 100 dresses of a more expensive line at \$120.00 each for the next month. The store manager wants to maintain at least the same net income as the previous month. The manager assumes that expenses will not change, and that all 100 dresses will be sold. The manager asks you, the accountant, to calculate what the selling price of the dresses should be.

Calculate the total sales required to maintain the same net income by completing the following partial income statement

Sales	<b>15 000.00</b>
Cost of Goods Sold	<b><u>12 000.00</u></b>
Gross Income Before Expenses	3 000.00
Expenses	<u>1 250.00</u>
Net Income	1 750.00

Calculate the unit selling price for each dress. **\$150.00**

**Break-Even Point**

Don wants to start a lawn care business for the summer. He advertises around the neighbourhood and collects 15 customers. He is to maintain each yard once a week. Don has listed all the following factors to calculate his break-even point:

- it will take approximately 3 hours to complete each yard
- his services are worth \$10 per hour

- wear and tear on the power mower of approximately \$30 (he has borrowed it from his family)
- rakes at a cost of \$25 in total
- weed spray at a cost of \$8.00 per litre. Don estimates that he will require one litre per yard over the month
- gloves and masks at a cost of \$35 in total
- gas for the mower at a cost of \$.25 per hour

Calculate the total expenses for the month. Calculate the break even-point.

<b>Labour:</b>	<b>3 hrs. at \$10/hr = \$30 per yard x 15 yards x 4 weeks</b>	
	=	<b>\$1 800.00</b>
<b>Equipment</b>		<b>60.00</b>
<b>Weed Spray</b>	<b>\$8 x 15 yards =</b>	<b>120.00</b>
<b>Gas</b>	<b>\$.25 x 3 hrs. x 15 yards x 4 weeks =</b>	<b>45.00</b>
<b>Deprec. on Mower</b>		<b><u>30.00</u></b>
<b>Total Expenses</b>		<b>\$2 055.00</b>

**\$2055.00/15 = \$137.00 is the break-even point for Don.**

If Don charges \$150.00 per month, calculate his net income for the month.

<b>Revenue:</b>	
<b>\$150 x 15</b>	<b>2 250.00</b>
<b>Expenses:</b>	<b>2 055.00</b>
<b>Net Income</b>	<b>195.00</b>

**Note that the net income of \$195.00 is the profit after Don pay himself \$1 800 in wages.**

In mid-month, two families decide not to continue with the lawn service. Recalculate the expenses and net income.

<b>Labor:</b>	<b>3 hrs. at \$10/hr = \$30 per yard x 15 yards</b>	
	<b>x 2 weeks</b>	<b>900.00</b>
	<b>3 hrs. at \$10/hr = \$30 per yard x 13 yards</b>	
	<b>x 2 weeks</b>	<b><u>780.00</u></b>
		<b>1 680.00</b>
<b>Equipment</b>		<b>60.00</b>
<b>Weed Spray</b>	<b>\$120 - (\$2/week x 4 weeks)</b>	<b>112.00</b>
<b>Gas</b>	<b>\$45 - (\$.75/week x 4 weeks)</b>	<b>42.00</b>
<b>Deprec. on Mower</b>		<b><u>30.00</u></b>
<b>Total Expenses</b>		<b>\$1 924.00</b>

<b>Revenue:</b>		
<b>\$150 x 13</b>	<b>1 950.00</b>	
<b>\$ 75 x 2</b>	<b><u>150.00</u></b>	
<b>Total</b>		<b>2 100.00</b>
<b>Expenses</b>		<b><u>1 924.00</u></b>
<b>Net Income</b>		<b>176.00</b>

**Inventory Management**

Sweets is a small coffee and gift shop. Suzy, the manager, reviewed the latest financial records and wondered where the company was losing money. Business was doing well. What could be the problem? She decided to do a spot inventory check to help her solve the problem. Suzy discovered the following items to be missing: two cases of coffee, 24 danish pastries, 3 gift items and 13 cans of pop. She decided to confront her staff. She discovered that the staff was making too much coffee before the end of the night and throwing out approximately 6 pots each evening. The danishes were discarded because they were stale. Three gift items were still unaccounted for, but the staff determined these items may have been stolen because they were close to the exit door. The 13 cans of pop were consumed by the staff but not recorded on their staff purchase sheets.

How can the manager improve optimal inventory levels?

**By maintaining a perpetual inventory and comparing this with the actual sales. The company can estimate more accurately the amount of perishables—fresh pastries and coffee—that will be required on individual evenings. For example, a Thursday evening may turn out to be a busier evening at the shop. Other factors should be considered when analyzing the inventory (weather, season of the year, events in the surrounding area, local economic conditions). This is called demand forecasting.**

Phil's Novelty Shoppe has the following month-end financial information:

Revenue:		
Net Sales		3 700.00
Cost of Goods Sold:		
Beginning Inventory	1 400.00	
Net Purchases	<u>800.00</u>	
Merchandise Available for Sale	2 200.00	
Less Ending Merchandise Inventory	<u>950.00</u>	
Cost of Merchandise Sold		<u>1 250.00</u>
Gross Profit on Sales		2 450.00
Total Expenses		989.00
Net Income		1 461.00

A further check of the inventory noted that it was overvalued by \$300.00. What effect would this error have on the net income of the business?

**The net income should accurately be recorded as \$1 761.00.**

Explain the difference between perpetual and periodic inventory.

Interview an accountant or manager of a merchandising or manufacturing business in your area and provide an oral report to your class. In your interview, find the following information:

1. What type of inventory system is used and why?
2. Which method is used by the company to determine the value of its inventory?
3. How does inflation affect this company's inventory? Why?
4. Does the company use a computerized system of controlling inventory, or manual records? Explain the advantages and disadvantages of each.

Complete the following table comparing three methods of valuing inventory.

Summary of Three Methods of Valuing Inventory						
Purchase		FIFO		LIFO		Weighted Average
Date	Cost	Quant.	Value	Quant.	Value	
June 1	\$2.40	25	<b>\$60.00</b>	100	<b>\$240.00</b>	<b>Average Cost \$2.07</b>
Sept. 1	2.10	75	<b>157.50</b>	75	<b>157.50</b>	
Dec. 1	1.70	100	<b>170.00</b>	25	<b>42.50</b>	
Totals		200	<b>\$387.50</b>	200	<b>\$440.00</b>	<b>\$414.00</b>

Which method of valuing the inventory would result in the higher net income for the company? **FIFO**

**Internal Controls**

What is an internal control system?

**An internal control system is a set of procedures put in place to prevent loss of assets, particularly cash because it is the most liquid.**

What are the seven principles of good internal control?

- 1. Clearly establish responsibilities**
- 2. Maintain adequate records**
- 3. Insure assets and bond employees.**
- 4. Separate record-keeping and custody over assets.**
- 5. Divide responsibilities for related transactions.**
- 6. Use mechanical devices where practicable.**
- 7. Perform regular and independent reviews.**

What are three principles of internal controls for cash?

- 1. separation of duties**
- 2. cash receipts deposited each day**
- 3. payments made by cheque.**

**Bank Reconciliation**

You are given the following information for the Senior Centre. Prepare a bank reconciliation for the Senior Centre as of June 30, 19xx on the form provided.

The balance in the general ledger Cash account is \$2 873.25.

The balance according to the bank statement as of June 30, 19xx is \$2 489.32.

Your company made a night deposit of \$1 245.68 on June 29, 19xx. It was not received by the bank in time to make the printing of the statement.

The following cheques were written by your company but have not been received by the bank prior to the printing of the statement:

Cheque # 356	298.00
Cheque # 361	476.50
Cheque # 364	97.00

The bank statement shows a bank service charge deducted from your account of \$9.75.

		<b>Senior Centre Bank Reconciliation June 30, 19xx</b>	
<b>Bank Balance</b>	<b>2 489.32</b>	<b>Cash General Ledger</b>	<b>2 873.25</b>
<b>Add: Late Deposit</b>	<b>1 245.67</b>	<b>Less: Service Charge</b>	<b>9.75</b>
<b>Less: O/s Cheques</b>			
#356	298.00		
#361	476.50		
#364	97.00	<b>871.50</b>	
<b>Corrected Bank Balance</b>	<b>2 863.50</b>	<b>Corrected Cash Balance</b>	<b>2 863.50</b>

**Internal Audit**

What are some of the reasons for an internal audit?

**An internal audit may look at financial matters or compliance with regulations. Audits may also involve looking at whether or not operations are efficient, effective and economical.**

Cecile ran a data management service as a sole proprietor for the past five years. She has now expanded to the point where she is considering going into partnership with Phillip, who has marketing and advertising expertise. They have decided to hire two part-time individuals for data entry and research, and move the business from Cecile's home to a leased office. Cecile has asked you to recommend a plan that looks at inventory management systems, internal controls and internal audit for the new partnership. Draft the questions (at least 10) which you would want answered by Cecile to enable you to develop the plan.

**Module Learner Expectation:** The student will describe the organizational differences among various forms of business organization.

**Criteria and Conditions:** Assessment of student achievement should be based on preparing a report that explains the advantages and disadvantages of various forms of business organization.

TASK	OBSERVATION/RATING
Preparation and Planning	4 3 2 1 0 N/A
Content	4 3 2 1 0 N/A
Presenting/Reporting	4 3 2 1 0 N/A

**STANDARD IS 3 IN EACH APPLICABLE TASK**

**RATING:** (*italics* are optional)

*The student:*

- 4 exceeds defined outcomes. Plans and solves problems effectively and creatively in a self-directed manner. Tools, materials and/or processes are selected and used efficiently, effectively and with confidence. Quality, particularly details and finishes, and productivity are consistent and exceed standards. *Leads others to contribute team goals.*
- 3 meets defined outcomes. Plans and solves problems in a self-directed manner. Tools, materials and/or processes are selected and used efficiently and effectively. Quality and productivity are consistent. *Works cooperatively and contributes ideas and suggestions that enhance team effort.*
- 2 meets defined outcomes. Plans and solves problems with limited assistance. Tools, materials and/or processes are selected and used appropriately. Quality and productivity are reasonably consistent. *Works cooperatively to achieve team goals.*
- 1 meets defined outcomes. Follows a guided plan of action. A limited range of tools, materials and/or processes are used appropriately. Quality and productivity are reasonably consistent. *Works cooperatively.*
- 0 has not completed defined outcomes. Tools, materials and/or processes are used inappropriately.

N/A Not Applicable

**COMMENTS**

**TASK CHECKLIST**

*The student is able to:*

**Preparation and Planning**

- set goals and describe steps to achieve them
- use personal initiative to formulate questions and find answers
- access a range of relevant information sources and recognize when additional information is required
- interpret and organize and combine information in creative and thoughtful ways
- record information accurately using appropriate technical terms and supporting details
- plan and use time effectively, prioritizing tasks on a consistent basis
- assess and refine approach to task and project status based on feedback and reflection

**Content**

- explain the advantages and disadvantages of various types of business organization by discussing the following core topics:
  - guidelines for selecting names
  - the jurisdiction
  - detailed plan of action
  - legal costs
  - time limit involved
  - possible financing
  - taxes involved
  - potential liability to the owner(s)
  - organizational structure
- include at least one of the following topics:
  - Non-profit Organizations
  - Technology and Business
  - Women in Business
  - NAFTA
  - a student-initiated topic

**Presenting/Reporting**

- demonstrate effective use of one or more communication media:
  - e.g., Written: spelling, punctuation, grammar format (formal/informal/technical/literary)*
  - Oral: voice projection, body language, appearance, enthusiasm, evidence of prior practice*
  - Audio-visual: techniques, tools, clarity, speed and pacing*
- maintain acceptable grammatical and technical standards through proofreading and editing
- provide an introduction that describes the purpose and scope of the project
- communicate thoughts/feelings/ideas clearly to justify or challenge a position
- state a conclusion by analyzing and synthesizing the information gathered
- give evidence of adequate research through a reference list including relevant information sources

**SAMPLE ASSIGNMENTS**

(suggested answers in bold)

Sadie's Software Company has assets of \$900 000 and liabilities of \$580 000. Prepare the ownership equity section of Sadie's balance sheet under each of the following independent assumptions:

- a. The business is organized as a sole proprietorship, owned by Carly Haster.
- b. The business is a partnership, owned by Carly Haster and Alissa Dawson. Haster's equity amounts to \$220 000.
- c. The business is a corporation with 20 shareholders, each of whom originally invested \$15 000 in exchange for shares of the company's capital stock. The remainder of the shareholders' equity has resulted from profitable operation of the business.

Use **TOOL FINDOC-A** to assess the assignment.

**Owner's Equity**

D. Jason and R. Small are partners in a travel agency. The partnership does not require any additional capital, but on September 1, 19xx, they agree to admit T. Saville as an equal partner. The partners agree to sell one-third of their equities to Mr. Saville to enable Mr. Saville to have a one-third interest.

The Capital accounts of D. Jason and R. Small amount to \$90 000 for each partner.

If Mr. Saville is to have a one-third interest in the business, what must his total equity amount to?

**\$60 000**

Why would Mr. Saville's admission as a new partner require no entry in the cash receipts journal of the business? **Mr. Saville purchased the interest from the partners privately. No injection of cash was made into the business.**

C. Bronski, B. London and M. Rodriguez are partners in a restaurant. On January 2, 19xx, the three partners agree to admit G. Christopher with one-quarter interest. The equity of each of the old partners amounts to \$40 000.00. G. Christopher agrees to enter into the new partnership with a one-quarter interest for \$60 000.00

To enter the new business, how much equity must G. Christopher transfer to each of the old partners?

**\$5 000 to each partner for a total of \$15 000.**

**Module Learner Expectation:** The student will explain how a balance sheet reflects the financial position of a business on a specific date, and explain how the income statement reflects the financial operations of a business for a specific period of time; and adapt the financial statements to various types of businesses.

**Criteria and Conditions:** Assessment of student achievement should be based on preparing a report (including tables, graphs, etc.) that deals with the purpose, format and components of an income statement and a balance sheet, and discusses adapting financial statements to various types of businesses.

TASK	OBSERVATION/RATING					
Preparation and Planning	4	3	2	1	0	N/A
Content	4	3	2	1	0	N/A
Presenting/Reporting	4	3	2	1	0	N/A

**STANDARD IS 3 IN EACH APPLICABLE TASK**

**RATING:** (*italics* are optional)

*The student:*

- 4 exceeds defined outcomes. Plans and solves problems effectively and creatively in a self-directed manner. Tools, materials and/or processes are selected and used efficiently, effectively and with confidence. Quality, particularly details and finishes and productivity are consistent and exceed standards. *Leads others to contribute team goals.*
- 3 meets defined outcomes. Plans and solves problems in a self-directed manner. Tools, materials and/or processes are selected and used efficiently and effectively. Quality and productivity are consistent. *Works cooperatively and contributes ideas and suggestions that enhance team effort.*
- 2 meets defined outcomes. Plans and solves problems with limited assistance. Tools, materials and/or processes are selected and used appropriately. Quality and productivity are reasonably consistent. *Works cooperatively to achieve team goals.*
- 1 meets defined outcomes. Follows a guided plan of action. A limited range of tools, materials and/or processes are used appropriately. Quality and productivity are reasonably consistent. *Works cooperatively.*
- 0 has not completed defined outcomes. Tools, materials and/or processes are used inappropriately.

N/A Not Applicable

**COMMENTS**

**TASK CHECKLIST**

*The student is able to:*

**Preparation and Planning**

- set goals and follow instructions accurately
- respond to directed questions and follow necessary steps to find answers
- access basic in-school/community information sources
- interpret and organize information into a logical sequence
- record information accurately using correct technical terms
- use time effectively

**Content**

- explain the purpose of the balance sheet and the income statement
- outline and describe the reasons for the accepted formats
- identify the main sections of a commonly used balance sheet and income statement
- discuss the purpose of notes to the financial statements
- explain the difference between an audit and review of financial statements
- include a glossary or chart defining terminology relevant to the financial statements and identifying items specific to each component (i.e., intangible assets, fixed assets, cost of merchandise sold)
- include a chart that illustrates common financial statement items and business-specific items for a variety of businesses from information gathered or provided

**Presenting/Reporting**

- demonstrate effective use of one or more communication media:  
*e.g., Written: spelling, punctuation, grammar, basic format*  
*Oral: voice projection, body language*  
*Audio-visual: techniques, tools*
- use correct grammatical convention and technical terms through proofreading/editing
- provide an introduction that describes the purpose of the project
- communicate information in a logical sequence
- state a conclusion based on a summary of facts

**Module Learner Expectation:** The student will recognize the importance of using appropriate data for reporting and decision making.

**Criteria and Conditions:** Assessment of student achievement should be based on, given a company’s financial statements, calculating various ratios, researching the comparative financial statements, drawing conclusions and making recommendations for action, now and in the future.

TASK	OBSERVATION/RATING
Preparation and Planning	4 3 2 1 0 N/A
Content	4 3 2 1 0 N/A
Presenting/Reporting	4 3 2 1 0 N/A

**STANDARD IS 3 IN EACH APPLICABLE TASK**

**RATING:** (*italics* are optional)

*The student:*

- 4 exceeds defined outcomes. Plans and solves problems effectively and creatively in a self-directed manner. Tools, materials and/or processes are selected and used efficiently, effectively and with confidence. Quality, particularly details and finishes, and productivity are consistent and exceed standards. *Leads others to contribute team goals.*
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- 0 has not completed defined outcomes. Tools, materials and/or processes are used inappropriately.

N/A Not Applicable

**COMMENTS**

**TASK CHECKLIST**

*The student is able to:*

**Preparation and Planning**

- set goals and describe steps to achieve them
- use personal initiative to formulate questions and find answers
- access a range of relevant information sources and recognize when additional information is required
- interpret, organize and combine information in creative and thoughtful ways
- record information accurately using appropriate technical terms and supporting detail
- plan and use time effectively, prioritizing tasks on a consistent basis
- assess and refine approach to task and project status based on feedback and reflection

**Content**

- use data from the annual report of a real business
- summarize the nature of the business
- prepare a table of ratio calculations relevant to the business
- prepare comparative Statement of Income/Earnings based on percentage changes and/or common-size conversions.
- discuss ratios, trends and significant changes affecting the business’ financial position
- provide recommendations, with reasons, as to whether or not management proposals for future operations are appropriate
- provide a personal assessment of the potential growth of the business and recommendations to potential investors.

**Presenting/Reporting**

- demonstrate effective use of a variety of communication media:  
*e.g., Written: spelling, punctuation, grammar, format (formal/informal, technical/literary)*  
*Oral: voice projection, body language, appearance, enthusiasm, evidence of prior practice*  
*Audio-visual: techniques, tools, clarity, speed and pacing*
- maintain acceptable grammatical and technical standards through proofreading and editing
- provide an introduction that describes the purpose and scope of the project
- communicate thoughts/feelings/ideas clearly to justify or challenge a position
- state a conclusion by analyzing and synthesizing the information gathered
- give evidence of adequate research through a reference list including relevant information sources

**General Outcome:** The student will interpret data that has been obtained, in order to recommend action.  
**Criteria and Conditions:** Assessment of student achievement should be based on preparing a report/presentation on what data are required for reporting and decision-making purposes.

TASK	OBSERVATION/RATING					
Preparation and Planning	4	3	2	1	0	N/A
Content	4	3	2	1	0	N/A
Presenting/Reporting	4	3	2	1	0	N/A

**STANDARD IS 3 IN EACH APPLICABLE TASK**

**RATING:** (*italics* are optional)

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**COMMENTS**

**TASK CHECKLIST**

*The student is able to:*

**Preparation and Planning**

- set goals and describe steps to achieve them
- use personal initiative to formulate questions and find answers
- access a range of relevant information sources and recognize when additional information is required
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- record information accurately using appropriate technical terms and supporting detail
- plan and use time effectively, prioritizing tasks on a consistent basis
- assess and refine approach to task and project status based on feedback and reflection

**Content**

- describe at least two types of users of financial information; e.g., insiders, outsiders, middle managers, executive, shareholders/owners
- provide examples of real businesses/people for the types of users discussed in the report
- compare the reasons why financial data is needed/used by these users
- discuss specific decisions that the users will be able to make based on the financial reports
- provide at least two reasons why financial reports may differ depending upon the user
- list several examples of what type of information the business should include in the reports for the users discussed in the financial reports
- exhibit awareness and understanding of the issues and present the student's personal point of view
- include bar graphs and charts

**Presenting/Reporting**

- demonstrate effective use of a variety of communication media:  
*e.g., Written: spelling, punctuation, grammar, format (formal/informal, technical/literary)*  
*Oral: voice projection, body language, appearance, enthusiasm, evidence of prior practice*  
*Audio-visual: techniques, tools, clarity, speed and pacing*
- maintain acceptable grammatical and technical standards through proofreading and editing
- provide an introduction that describes the purpose and scope of the project
- communicate thoughts/feelings/ideas clearly to justify or challenge a position
- state a conclusion by analyzing and synthesizing the information gathered
- give evidence of adequate research through a reference list including relevant information sources

Standard: All components of this worksheet completed.

1. Identify the sector you will be researching. \_\_\_\_\_

2. Research and comment on the current outlook of this sector given our current economic situation.

\_\_\_\_\_  
\_\_\_\_\_

3. Identify the three companies you will assess and compare along with their Web sites. Search the Internet or obtain a print copy of the annual report for each company.

- a. \_\_\_\_\_
- b. \_\_\_\_\_
- c. \_\_\_\_\_

4. Identify the type of products and/or services sold.

- a. \_\_\_\_\_
- b. \_\_\_\_\_
- c. \_\_\_\_\_

5. Find and compare the P/E ratios for each company.

- a. \_\_\_\_\_
- b. \_\_\_\_\_
- c. \_\_\_\_\_

What conclusions can you make after comparing the P/E ratios?

\_\_\_\_\_  
\_\_\_\_\_

6. Find and compare the dividend yields for each company.

- a. \_\_\_\_\_
- b. \_\_\_\_\_
- c. \_\_\_\_\_

What conclusions can you make after comparing the dividend yields?

\_\_\_\_\_  
\_\_\_\_\_

7. Identify the style of each stock, then briefly describe the risk and return of each.

- a. \_\_\_\_\_
- b. \_\_\_\_\_
- c. \_\_\_\_\_

What conclusions can you make comparing the risk and return of each stock? What would be the risk tolerance level of an investor buying into these companies?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

8. Using the rule of 72, calculate how many years it will take for the companies' stocks to double. (Show your work; 72/the expected or potential annual rate of return.)

- a. \_\_\_\_\_
- b. \_\_\_\_\_
- c. \_\_\_\_\_

9. Using the information gathered above, explain which one of the companies you would invest in and why. Be specific.

\_\_\_\_\_

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1. Select an Internet financial database and create an investment portfolio based on your “Summary of Stocks and/or Bonds Purchased over a Period of Time” (see Assessment Task: FIN3080-2).
2. Prepare and print a portfolio report with daily/weekly progress over a period of time (according to teacher’s direction), including recent news (within the last 24 hours).
3. Prepare a number of charts to display a variety of graphs (minimum four) from total portfolio to specific investments.
4. Analyze graphs of your stock picks.

**ASSESSMENT TASK: RESEARCH AND COMPARE MUTUAL FUNDS****FIN3080-4**

Standard: All components of worksheet complete. Report well written, information summarized with recommendations and conclusions made regarding the mutual fund selected.

Describe a specific investment objective:

**Part 1:** Using an Internet site, such as [www.globeinvestor.com](http://www.globeinvestor.com), and the chart below, research and compare three mutual funds that meet the requirements of the above investment objective.

<b>Criteria</b>	<b>Mutual Fund #1</b>	<b>Mutual Fund #2</b>	<b>Mutual Fund #3</b>
<b>Name of fund</b>			
<b>Type of fund</b>			
<b>Current price/unit</b>			
<b>Performance</b>			
<b>over 1 year</b>			
<b>over 3 years</b>			
<b>over 5 years</b>			
<b>over 10 years</b>			
<b>Name of fund manager</b>			
<b>Management style</b>			
<b>Objective of fund</b>			

**Portfolio Composition**

<b>Asset allocation</b>			
<b>Top 5 holdings of each fund</b>	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.	1. 2. 3. 4. 5.
<b>Top 3 sectors</b>	1. 2. 3.		
<b>Total assets in fund</b>			
<b>Management expense ratio (MER)</b>			
<b>Minimum investment required</b>			
<b>RRSP eligibility</b>			

**Part 2:** Write a report comparing the three mutual funds against the investment objective identified. Report on which mutual fund you would pick to achieve the investment objective and why. Attach report to this worksheet before submitting.