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Senior Secondary

26 mins

Financial Reporting for Business

Teacher Notes by **Belinda Taylor**, B.Bus. Grad.
Dip. Ed

Produced by **VEA Pty Ltd**
Commissioning Editor **Simon Garner** B.Ed.
Executive Producer **Simon Garner** B.Ed.

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Suitable for:

Accounting

To order or inquire please contact VEA:

VEA Inc.
10 Mitchell Place
Suite 103
White Plains, NY 10601
Ph: 866 727 00840
Fax: 866 727 0839

E-mail
vea@veavideo.com

Website
www.veavideo.com

Financial Reporting for Business

For Teachers:

Introduction

Accounting reports convey information about cash, profit and financial position to the owner and key stakeholders of a business. This program explores the content of the three key accounting reports: cash flow statement, profit and loss statement and balance sheet. Insights are provided from real business owners/managers about how these reports are used within the business for analysis and decision making. If you are just starting to learn about accounting reports or need a refresher, this program will clearly illustrate the placement of key items in each report.

Program Timeline

00:00:00	Introduction
00:01:03	Chapter 1 – Introduction to accounting reports
00:05:31	Chapter 2 – Reporting for cash
00:10:28	Chapter 3 – Reporting for profit
00:15:05	Chapter 4 – Reporting for position assets
00:17:53	Chapter 5 – Reporting for position; liabilities and owner’s equity
00:24:52	Conclusion
00:25:10	Credits
00:25:40	End of program

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Before Viewing the Program

1. Interview – small business owner or manager

Using your network of relatives, friends or part time jobs, ask the owner or manager of a small business to participate in a short interview on the importance of financial reports to the business. The questions below could be used or you may design your own, focusing on the ways business owners use the information provided in the cash flow statement, profit and loss statement and balance sheet.

The interview can be conducted over the phone, in person or via email.

- How regularly do you use financial reports prepared for the business?
- Which of the three financial reports is most useful to you as the owner/manager of the business?
- Why is cash flow important to your business?
- What can be done if the business is having cash flow problems?
- How is profit measured?
- How is a balance sheet useful to an owner/manager of a business?

This task may also be completed as a guest speaker to the class.

2. Definitions

Using your text book, define the following terms:

- asset
- liability
- owner's equity
- revenue
- expense

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While Viewing the Program

1. When transactions are recorded they can be categorised into:

- cash r _____
- cash p _____
- credit _____
- credit _____
- sales returns and allowances
- purchases returns and allowances
- general transactions

2. List one advantage of using computers to record accounting information

3. What accounting package does Paul Spano, franchise owner from Video Ezy use?

4. Why are cash transactions important to a business?

5. What are the three main headings in a statement of cash flows?

6. Provide an example of cash flow from operating activities according to Rosetta D'Amico, General Manager of Finance, Just Group.

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7. Provide an example of cash flow from investing activities according to Geraldine Baker, Accounting Technician Bayside Blades.

8. What can a business do to improve cash flow?

9. How is profit calculated?

10. What is the starting point for a profit and loss statement?

11. What factors influence revenue for Just Group?

12. List two operating expenses:

13. How is net profit calculated?

14. Give three examples of assets:

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15. What are the two groups of assets?

_____ assets

_____ assets

16. What is the importance of assets to a business?

17. Give two examples of liabilities:

18. Define current liabilities.

19. Define non-current liabilities.

20. What are the three components of owner's equity?

21. How can owner's equity increase?

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22. What are drawings?

23. Do drawings increase or decrease owner's equity? Circle the correct answer.

Increase

Decrease

24. State the accounting equation.

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After Viewing the Program

1. Case Study – Preparing Reports

Marty Foxey owns and operates Foxey's Fishing. The store is located in a large regional town and has a reputation for stocking a wide range of fishing equipment and accessories. The business has grown over the past 12 months so Marty purchased two vans so he could deliver to customers on location.

The following figures are provided for the 12 months ending June 30 2010.

Using the figures provided by Foxey's Fishing prepare the following accounting reports for the year ended June 30 2010:

- Profit and Loss Statement
- Balance Sheet

Capital	112,690	Debtors Control	17,885
Cash at Bank	4,157	Creditors Control	21,922
Cash sales	142,000	Credit Sales	79,050
Advertising	9,700	Vans	100,000
Loan - Bendigo Bank – due next 12 months	12000	Electricity	240
Loan (Bendigo Bank)	22,000	Rent	16,800
Telephone	3,000	Fixtures & Fittings	7,200
Cost of Sales	110,525	Accounting fees	1,050
Stock Control	22,455	Drawings	50,000
Interest on loan	650	Wages	46,000

<i>Foxy's Fishing</i>		
Profit & Loss Statement for		
year ended June 30 2010		
\$		
Revenue		
<i>Total Sales</i>		
less: Cost Of Goods Sold		
Gross Profit		
Less expenses:		
<i>Total Expenses</i>		
Net Profit		

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Foxy's Fishing

Balance Sheet at June 30 2010

Current Assets			Current Liabilities		
			Non-Current Liabilities		
Non-Current Assets					
			Owner's Equity		
TOTAL ASSETS			TOTAL EQUITIES (L + OE)		

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2. Spot the error – Cash Flow Statement

The following Cash Flow Statement has been provided containing 6 significant errors. Spot the errors and list in the space provided below.

JTz Bicycle Superstore

Cash Flow Statement for year ended 30 June 2010

CASH FLOW FROM OPERATING ACTIVITIES	\$	\$
Cash sales	142,000	
Receipts from Debtors	85,772	
<i>Credit Sales</i>	44,000	271,772
<i>Payments to Creditors</i>	(74,225)	
<i>Rent</i>	(16,800)	
Advertising	(9,700)	
Wages	(46,000)	
Purchase of Van	(34,000)	
Telephone	(3,000)	
Accounting fees	(1,050)	
Electricity	(240)	(185,015)
Net Cash Inflow – operating		86,757
CASH FLOW FROM INVESTING ACTIVITIES		
Loan – from Ballarat Bank		34000
Net Cash Outflow – investing		34,000
CASH FLOW FROM FINANCING ACTIVITIES		
Loan		(12,000)
Interest on loan		(650)
Drawings		(50,000)
Net Cash Outflow – finance		(62,650)
Net decrease in cash		58,107
Bank Balance beginning		24,050
Bank Balance at end		82,157
Add Net Profit		505
Total Owner’s Equity		82,662

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3. Bingo

It is important to be able to quickly identify items from transactions as assets, liabilities, owner's equity, revenue and expenses. This game is a fun way of practising this identification.

Resources:

Classification cards (three of each type is given to each person. These could be colour coded and laminated for easy identification)

- Bingo grid
- Items list (cut up and folded for the bingo caller to use)
- 1 bingo caller (student or teacher)

*** See attached templates to print off and use*

How to play the game:

- a) You are given one copy of the blank bingo grid. In the left hand column, they are to write in 12 examples of assets, liabilities, owner's equity, revenue and expense. They must provide at least two from each category.
- b) You are given four classification cards for each category of asset, liability, owner's equity, revenue, expense.
- c) The bingo caller draws an item from the item list. If you have this on their bingo grid they are to place the correct classification card next to the item eg

RENT	EXPENSE
------	---------

- d) The first person to fill the bingo card with the correct classification next to each item is declared the winner. You can use the same bingo card for the next game or complete a new list of items.

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Bingo Grid

Don't forget to call 'BINGO' when you have correctly completed all boxes.

RENT	

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Items List

Cut and fold these items and place in a hat/box for the bingo caller to pull out one at a time. Add more items as required.

RENT	EQUIPMENT
REGISTRATION OF VEHICLE	FIXTURES AND FITTINGS
WAGES	STOCK ON HAND
INTEREST PAID	COST OF SALES
DEBTORS	CASH SALES
CREDITORS	CREDIT SALES
CASH AT BANK	INTEREST RECEIVED
ADVERTISING	INSURANCE
LOAN – NAB BANK	BANK OVERDRAFT
TELEPHONE	CAPITAL
VEHICLE	NET PROFIT
INTERNET	NET LOSS
ELECTRICITY	DRAWINGS

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Classification Cards

Cut one page per person. These cards are placed next to the item listed on the bingo grid.

ASSET	OWNER'S EQUITY
ASSET	OWNER'S EQUITY
ASSET	REVENUE
LIABILITY	REVENUE
LIABILITY	REVENUE
LIABILITY	EXPENSE
OWNER'S EQUITY	EXPENSE
	EXPENSE