



DIGITAL LESSON BUNDLE

So Many Statements

OBJECTIVES

Students will be able to:

- Compare and contrast financial statements, including balance sheets, cash flow statements, and income statements.
- Identify information found on financial statements.
- Explain who uses financial statements and how they are used.

OVERVIEW

Entrepreneurs, managers, lenders, and investors rely on financial statements to provide valuable information about a company's performance and financial health. In this two-session lesson, students learn to research and share information about balance sheets, cash flow statements, and income statements. The lesson begins with students participating in a relay race-style activity that gets them thinking about how information is displayed to drivers on a vehicle's dashboard. Turning to businesses, students work in groups to locate videos, articles, and examples of financial statements. In the second session, they share these resources with their classmates and then form new groups to apply what they learned. Students sort cards with terms, descriptions, and uses. After debriefing the activity, students consider how and why financial statements are used and how they might be improved. The lesson concludes with students summarizing what they learned in ten words or less.

CONTENT AREAS

Entrepreneurship, Accounting, Business

SUGGESTED TIME

2 class periods

GRADE RANGE

Grades 9-12

ESSENTIAL QUESTIONS FOR STUDENTS

- What are financial statements?
- How are financial statements used?

STANDARDS

- [National Standards for Business Education](#) from the National Business Education Association
 - Accounting—Financial Reports (Level 3-4, Standard 2) Describe the users and explain the uses of financial information.
 - Accounting—Financial Reports (Level 3-4, Standard 7) State and explain the information provided in each financial statement and how the statements articulate with each other.
 - Accounting—Financial Reports (Level 3-4, Standard 8) Explain the relationship between assets, liabilities, and equity on the balance sheet.
 - Accounting—Financial Reports (Level 3-4, Standard 9) State and explain the classifications within assets, liabilities, and equity.
 - Accounting—Financial Analysis (Level 3-4, Standards 1) Discuss the information that can be obtained from analyzing financial statements.
 - Entrepreneurship—Accounting (Level 1, Standard 1) Identify the reasons for keeping accurate business records and financial statements (e.g., income statement, balance sheet, cash flow statement).
 - Entrepreneurship—Accounting (Level 2, Standard 3) Identify types of financial statements and the type of data in each (e.g., income statement, balance sheet, cash flow statement).
 - Entrepreneurship—Accounting (Level 3, Standard 6) Describe the various financial statements (e.g., income statement, balance sheet, cash flow statement).
 - Management—Financial Decision Making (Level 3, Standard 1) Describe the purpose of financial statements.
 - Management—Financial Decision Making (Level 3, Standard 2) Distinguish between internal and external financial statements.
 - Management—Financial Decision Making (Level 3, Standard 3) Interpret the data shown on financial statements (e.g., income statement, balance sheet, cash flow statement, and statement of net worth).

MATERIALS

ALL SESSIONS

- So Many Statements Educator Implementation Guide
- Computer with projector, television, or interactive board

SESSION 1

- **So Many Statements** PowerPoint—slides 1–7
- **Dashboard Dash Student** Capture Sheet—three copies, one per team
- Three markers or pieces of chalk, each a different color

SESSION 2

- **So Many Statements** PowerPoint—slides 8–5
- **1-2-3 Financial Statements** Student Capture Sheet—one copy per student
- **Financial Report Card Sort** Student Handout—one set per group of 3 to 5 students, cut into cards in advance
- **Financial Report Card Sort Sample Answers**—one copy for reference
- **Venture Valley Connect: Read the Statements**—one copy per student (optional)

BACKGROUND

There are many forms of financial statements; however, the most common ones are balance sheets, cash flow statements, and income statements. Together they provide a wealth of information for businesses along with potential lenders and investors. Each statement serves its own unique purpose.

The balance sheet provides a snapshot in time of the business' assets and liabilities. It can be used to determine whether a business has borrowed too much money. The balance sheet uses the accounting equation ($\text{Accounts} = \text{Liabilities} + \text{Stakeholders' Equity}$) and must always be in "balance." This statement is also used to determine a company's net worth.

The cash flow statement shows what money flows into and out of the business over a period of time. It acts as a corporate "checkbook" showing these transactions. Expenses on the cash flow statement are divided into three categories: operating, investing, and finances.

The income statement is also known as a statement of profit and loss. As the alternate name implies, it is used to determine whether or not a company is profitable over a given period of time.

Some information appears on more than one financial statement for different purposes. It might be tempting to only review one financial statement for a company, but it is best to review all three. Together they paint a more complete picture of the company's financial health.

This digital lesson bundle can be used as a standalone lesson or in conjunction with the game [Venture Valley](#). Playing the game is not a prerequisite for the implementation of the lesson; however, it can be used to drive home key points and offer additional extension opportunities. In particular, this activity allows students to reflect on the importance of financial statements in the game. Be sure to play the game ahead of your students so that you can provide prompting and support for students who may need extra help in making these connections.

USING THIS GUIDE

This guide aims to prepare educators to use this digital lesson bundle. It provides slide-by-slide instructions to ensure educators are prepared to explain, discuss, and facilitate the hands-on content in the presentation. The presentation is designed to cover two class periods.

The accompanying presentation was created so that it can be used in a variety of classrooms. If you are displaying the slides on a projector or television, simply progress through the presentation by clicking to advance. All of the interactive aspects of the presentation are set to occur on click. This may include images, text boxes, and links that will appear in your web browser. If you are using an interactive whiteboard, tap on each slide with your finger or stylus to activate the interactive aspects of the presentation. In the notes for each slide, there will be information on how to proceed.

PROCEDURE | SESSION 1 (SLIDES 1–7)

Overview

The lesson begins with an active-learning strategy to get students thinking and engaged. They will view an image of a vehicle dashboard and work in teams to brainstorm what information they know from looking at it, what they can infer, and what questions they can't answer just from the photo. They then compete in a relay to list as many unique responses as possible. The dashboard will then be compared to how businesses use and present information about their finances. Students will work in the same groups as before to identify one video, two articles, and three examples of financial statements. Each group is assigned to one of the following financial statements: balance sheet, cash flow statement, and income statement. They should be prepared to share what they locate in Session 2.

Engage

Slide 1

- Welcome students and introduce the lesson.
- Let them know that the topic is financial statements.
- Ask if any students know what financial statements are and/or can provide an example.

Slide 2

- Inform students that they will be competing in a relay game before diving into more about financial statements.
- Tell them it will be based on information they obtain by looking at an image. Explain that they will prepare using this image as practice.
- Use the image shown to model responses for each category of responses.
 - Information You Know: *A game is being played. It involves hula hoops.*
 - Things You Can Infer: *Students are on teams. They are competing.*
 - Questions You Cannot Answer: *Are the students having fun? Who is winning the relay? Are the students at school?*

Slide 3

- Share the rules of the game, beginning with the preparation.
- Click once to display the relay rules, and click again to discuss how responses are scored.
- Divide students into three teams and distribute a copy of the **Dashboard Dash** Student Capture Sheet to each team.
- Respond to any questions before proceeding to the next slide.

Slide 4

- Display the image and tell students how long they will have to brainstorm.
- While students work, draw a table on the board with the following columns: Know, Infer, Questions.
- Announce that it is time for students to come to the starting line. If needed, clear space for students to easily reach the board.
- Give each team their own color of marker or chalk.
- Remind students that the first person to get to a column can use it and set expectations for volume and behavior (i.e., be respectful at the board and with the noise level, no pushing or yelling).
- Announce "go."
- Allow teams to continue adding information to the table until the timer ends or you feel enough answers have been provided.
- Debrief student responses.
- Discuss and adjudicate any challenges.
- Tally the score for each team.

Slide 5

- Review the sample answers to the "Information You Know." Reinforce that this information is quickly and readily available.
- Click to reveal the sample responses for "Things You Can Infer." Discuss why these are inferred rather than being known for sure. For example, the car could be in reverse, but it is doubtful.
- Click again to show the "Questions You Cannot Answer." Challenge students to consider how they could answer these questions. Are there dashboards that show some of this information?

Explore

Slide 6

- Tell students that businesses, like vehicles, use "dashboards" to get important information. Some are like the ones in vehicles, with graphs and gauges. Others are in the forms of spreadsheets and reports.
- Let students know that they will be focusing on three primary financial reports.
- Click to reveal each one.
 - Balance Sheet
 - Income Statement
 - Cash Flow Statement

Slide 7

- Explain that each team from the Dashboard Dash activity will now work together to locate information that explains one of the three types of financial reports.
- Each group will locate and share one short video, two articles, and three examples for their assigned report. Each should come from a different source.
 - For the video and articles, encourage students to locate the information they think does a good job explaining the report at a level appropriate for the class. A college lecture, for example, might explain the topic, but it might go into more depth than needed or use vocabulary that most students don't know.
 - Encourage students to locate examples from companies the students will recognize. They should be recent, too, if possible.
- Let students know that each group will get 10 minutes to present what they found during the next class. They should plan to show the video and share several important facts from the articles they recommend. They should also tell where they found their examples, the companies they selected, and why they thought the companies would be of interest to students.
- Provide direction to students to let them know how or where you want them to share the video, article, and example links. As students submit their links, add them to Slide 10 to make sharing them easier in session 2.

SESSION 2 (SLIDES 8–15)

Overview

The lesson continues with students sharing the videos, articles, and examples with the whole class. Students will then work in new, smaller groups to perform a card sort in which they match information to the financial statement(s) in which they would be found. Each of the smaller groups should include at least one member of each team from the previous session. This person will serve as the group's "expert" on that particular financial statement. The lesson concludes by discussing how businesses, lenders, and investors use financial statements.

Explore (continued)

Slide 8

- Remind students that in the previous session, they looked at a car's dashboard and compared it to how businesses share information. Each group was assigned a type of financial statement to research.
- Let students know that before each group shares what they found, you want to share part of a video with them.
- Show the video (3 minutes).
- Tell students that you will read a statement. After you do, they should move to a corner of the room based on whether or not they agree or disagree with it.
- Tell students which area of the room (corner, wall, etc.) represents each of the following: Strongly Agree, Agree, Disagree, Strongly Disagree.

Slide 9

- Read the first statement, "Financial statements are hard for the average person to understand."
- Direct students to move to the appropriate area.
- Comment on the distribution of students. Did most students answer similarly? If so, why? Were there any outliers? Why did they think differently?
- Click to share the second statement, "Financial statements could be easier to understand if they were presented differently."
- Invite students to move locations if their answer changes.
- Call on students to share why they answered and if they moved locations.
- Ask students to consider how financial statements could be made easier to understand as they listen to each group present.

Slide 10

- Invite members of each group to share what they found from their research. They should play the video, share key points from the articles, and give information about their examples.
- Use the links in the slide to access each group's shared materials.
- Distribute a copy of the **1-2-3 Financial Statements** Student Capture Sheet to each student. Direct them to take notes as each group presents.

Apply

Slide 11

- Tell students that it is time to apply what they learned and see if they can match information to the financial statement or statements where they can be found.
- Let students know that they will form new groups for this activity. Each group should have at least one member of the original relay and research teams. This way, each new group will have its own "expert" on each type of financial statement.
- Divide students into new groups and distribute a set of cards from the **So Many Statements Card Sort** Handout to each group.
- Direct students to examine the cards and decide which type of financial statement(s) they match: a balance sheet, cash flow statement, or income sheet. Let them know that some cards might fit more than one.
- Students may reference the videos, articles, and examples on Slide 6 to help them, as needed.

Slide 12

- Review student responses and correct any that were inaccurately matched.



Slide 13

- Challenge students to consider how and/or why financial statements are used.
- Click to reveal three categories of users. Each click reveals another category.
 - Business owners and managers
 - Lenders
 - Investors

Slide 14

- Revisit the question posed earlier: How could financial statements be improved?
- Lead a discussion using some of all of the following questions:
 - What would it take to make financial statements easier to understand?
 - Can you imagine a way to make them more visual, like a dashboard?
 - How do you think the complexity of these statements impacts people's understanding of them?

Slide 15

- Challenge students to summarize what they learned using ten words or less.
- Consider calling on several students to share their summaries.

VENTURE VALLEY CONNECT

In *Venture Valley* students can view financial statements for each of the businesses they own. As they progress through the game, more information is available to them. If your students can play [Venture Valley](#)—either in the classroom or on their own time—use the **Venture Valley Connect: Read the Statements** Student Capture Sheet as a way for students to consider how they used financial statements in the game and the impact it made on the decisions they made in the game. Consider opportunities for students to share their reflections and discuss how learning more about financial statements could help them in the game.

Information You Know	Things You Can Infer	Questions You Cannot Answer

1-2-3 FINANCIAL STATEMENTS

Directions: Complete the table below with the information you learned about each type of financial statement.

	Balance Sheet	Cash Flow Statement	Income Statement
What does it tell you?			
How is it used?			
What information does it contain?			

SO MANY STATEMENTS CARD SORT

Directions: Cut the cards along the dotted lines. Sort the cards based on whether they describe or illustrate balance sheets, cash flow statements, or income statements. Some may describe more than one.

<p>Includes accounts payable (money owed to vendors for goods and services)</p>	<p>Also known as a statement of profit and loss</p>	<p>Acts as a corporate checkbook showing transactions</p>
<p>Provides a snapshot at one point in time</p>	<p>Shows the value of what the company owns</p>	<p>Used to tell if a company has borrowed too much money</p>
<p>Shows depreciation and amortization</p>	<p>Used to determine the company's net worth</p>	<p>Includes accounts receivables (the money owed to the company)</p>
<p>Totals the amount of money a company owes to others, such as loans</p>	<p>Focuses on revenue and expenses</p>	<p>Breaks down expenses between operating, investing, and finances</p>
<p>Uses the accounting equation Assets = Liabilities + Shareholders' Equity</p>	<p>Covers a period of time, such as a month or year</p>	<p>Used to determine if a business is profitable</p>
<p>Summarizes a company's gains and losses</p>	<p>Two sides or parts must be equal</p>	<p>Shows the money going into and out of the business</p>

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Balance Sheet	Cash Flow Statement	Income Statement
Provides a snapshot at one point in time	Breaks down expenses between operating, investing, and finances	Also known as a statement of profit and loss
Shows the value of what the company owns	Acts as a corporate checkbook showing transactions	Used to determine if a business is profitable
Used to tell if a company has borrowed too much money	Covers a period of time, such as a month or year*	Covers a period of time, such as a month or year*
Totals the amount of money a company owes to others, such as loans	Shows the money going into and out of the business	Focuses on revenue and expenses
Includes accounts receivables (the money owed to the company)	Shows depreciation and amortization	Summarizes a company's gains and losses
Includes accounts payable* (money owed to vendors for goods and services)	Includes accounts payable* (money owed to vendors for goods and services)	
Used to determine the company's net worth		
Two sides or parts must be equal		
Uses the accounting equation Assets = Liabilities + Shareholders' Equity		* Denotes the card appears under one or more categories.

VENTURE VALLEY CONNECT: *READ THE STATEMENTS*

You've played the game—now make the connections!

In Venture Valley and the real world, businesses use financial statements to report vital information. Business owners and management use these reports to make decisions. Potential lenders and investors also view it.

Respond to the following prompts and demonstrate your understanding of financial statements.

1. Think back to the businesses you established in Venture Valley. What financial statements did you see? What did they tell you?

2. In your own words, how do financial statements serve as a dashboard for businesses?