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| **Topic Overview** | |
| **Topic** | Strategies and Management  E4: Resources Management – Concepts of incomes, expenses and retained earnings |
| **Level** | S3 |
| **Duration** | 3 lessons (40 minutes per lesson) |

**Learning Objectives:**

1. Understand the concept of income, expenses and retained earnings in accounting sense,
2. Understand the definition of periodicity assumption, and know its importance in income measurement,
3. Define and apply both the accrual basis of accounting, and
4. Understand the importance of the matching principle to expense recognition and income measurement.

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| **Overview of Contents:** | |
| Lesson 1 | Concepts and Characteristics of Incomes |
| Lesson 2 | Concepts and Characteristics of Expenses |
| Lesson 3 | Concepts and Characteristics of Net Profits and Retained Earnings |

**Resources:**

* Topic Overview and Teaching Plan
* PowerPoint Presentation

**Suggested Activities:**

* Class Discussion
* In-class exercise

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| **Lesson 1** | |
| **Theme** | Concepts and Characteristics of Incomes |
| **Duration** | 40 minutes |

**Expected Learning Outcomes:**

**Upon completion of this lesson, students will be able to:**

1. describe the concept of accounting income,
2. define the periodicity assumption, and know its importance in income measurement, and
3. describe and apply the concept of accrual for the calculation of income.

**Teaching Sequence and Time Allocation:**

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| **Activities** | **Reference** | **Time Allocation** |
| **Part I: Introduction** | | |
| * Teacher starts the lesson by a discussion regarding how to determine the financial performance of a business. | PPT #2 | 3 minutes |
| **Part II: Content** | | |
| * Teacher defines income, introduces the concept of accrual principle and explains the characteristics of income. | PPT #3 – 5 | 7 minutes |
| * **Activity 1: Class discussion**   + Students are invited to give examples of incomes for themselves and their parents.   + Teacher compares the answers provided and points out there are only very few types of income. In fact, it is the same as business income. | PPT #6  PPT #7 | 5 minutes  2 minutes |
| * Teacher explains the concepts of income in business. * Teacher further explains the concept by using an example of sales of goods. | PPT #8 – 11  PPT #12 – 13 | 12 minutes  4 minutes |
| * **Activity 2: In-class Exercise**   + - Based on the illustrative example, students are required to do the same calculation. * Teacher goes through the answers and makes conclusion. | PPT #14  PPT #15 | 3 minutes  2 minutes |
| **Part III: Conclusion** | | |
| * Teacher concludes the lesson by reviewing the key points covered. |  | 2 minutes |

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| **Lesson 2** | |
| **Theme** | Concepts and Characteristics of Expenses |
| **Duration** | 40 minutes |

**Expected Learning Outcomes:**

**Upon completion of this lesson, students will be able to:**

1. describe the importance of the matching principle to expense recognition and income measurement,
2. describe the concept of accounting expenses,
3. apply the concept of accrual for the calculation of expenses,
4. distinguish between cost of goods sold, operating expenses.and loss, and
5. describe the concept of capital expenditure.

**Teaching Sequence and Time Allocation:**

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| **Activities** | **Reference** | **Time Allocation** |
| **Part I: Introduction** | | |
| * Teacher introduces the concept of matching and its importance for the recognition of an expense. | PPT #2 | 3 minutes |
| **Part II: Content** | | |
| * Teacher explains the definition and characteristics of expense. | PPT #3 – 4 | 5 minutes |
| * **Activity 1: Class discussion**   + Students are invited to suggest examples of expenses for themselves and their parents.   + Teacher compares the answers provided and points out there are many types of expenses, then goes to the discussion of business expenses. | PPT #5 – 6 | 5 minutes |
| * Teacher explains different types of expenses including cost of goods sold, operating expenses and loss. | PPT #7 – 9 | 10 minutes |
| * **Activity 2: Class discussion**   + Students identify expenses from assets * Teacher goes through answers, explains why mortgage loan repayment is not an expense and makes conclusion. | PPT #10  PPT #11-12 | 2 minutes  5 minutes |
| * Teacher explains expenses in business with examples. | PPT #13 | 3 minutes |
| * Teacher explains the definition of capital expenditures | PPT #14 | 3 minutes |
| * **Activity 3: In-class exercise**   + Students are required to match 5 items to the 5 elements of financial statement. * Teacher goes through answers with students and makes conclusion. | PPT #15  PPT #16 | 1 minute  1 minute |
| **Part III: Conclusion** | | |
| * Teacher concludes the lesson by reviewing the key points covered. |  | 2 minutes |

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| **Lesson 3** | |
| **Theme** | Concepts and Characteristics of Net Profits and Retained Earnings |
| **Duration** | 40 minutes |

**Expected Learning Outcomes:**

**Upon completion of this lesson, students will be able to:**

1. describe the concept of net profits and retained earnings.

**Teaching Sequence and Time Allocation:**

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| **Activities** | **Reference** | **Time Allocation** |
| **Part I: Introduction** | | |
| * Teacher recaps the concepts of incomes and expenses and then introduces the concept of net profits. | PPT #2 | 2 minutes |
| **Part II: Content** | | |
| * Teacher explains the concept net profits and demonstrates the calculations of net profits. | PPT #3 – 4 | 6 minutes |
| * **Activity 1: In-class exercise**   + Students are required to calculate the net profit of a business. * Teacher goes through the answer with students and makes conclusion. | PPT #5  PPT #6 – 7 | 8 minutes  5 minutes |
| * Teacher recaps the concept of capital by discussing paid-in capital and retained earnings and explains the concept of retained earnings. * Teacher illustrates with an example. | PPT #8 – 10  PPT #11 – 12 | 6 minutes  6 minutes |
| * **Activity 2: In-class exercise**   + - Students are required to calculate the retained earnings of a business. * Teacher goes through the answer with students and makes conclusion. | PPT #13  PPT #14 | 3 minutes  2 minutes |
| **Part III: Conclusion** | | |
| * Teacher concludes the lesson by reviewing the key points covered. |  | 2 minutes |