

Lesson Plan

NEUROHEADWAY

Neuroscience Into Education

Reading Financial Statements

Materials:

Paper, pens, Calculators, Spreadsheet (attached)

Today we are going to learn about a FINANCIAL STATEMENTS. First of all – who knows what *financial* means? Yes – anything to do with money! Does anybody have a job like a paper round, or earn pocket money for doing jobs at home? (wait for response). Great. What do you do with the money you earn?

Do you...spend it all at once? Save some and spend a little? Save it all for something special you are saving towards?

Whatever you do with it – being given money for doing work in return, effectively makes you a kind of ‘business’. And all businesses need to keep a careful watch over their finances – also known as *accounting*.

Have a look at this sheet (hand out worksheet 1) for a chocolate company. Look in the columns and rows. Can you see how they are keeping account of their sales? Can you see the total amount of sales for each area? (students to study and understand the concept). Any questions? (worksheet 1 – attached)

	A	B	C	D	E	F
1	Customer	City	Region	Product	Quantity	Total Sales
2	Orange	Big Town	West	Milk Chocolate	125	225
3	Red	Big Town	West	Dark Chocolate	210	441
4	Pink	Medium Town	East	Milk Chocolate	145	261
5	Grey	Big Town	West	Chocolate Hazelnut	21	63
6	Blue	Small Town	South	Dark Chocolate	50	105
7	Dark	Big Town	West	Chocolate Hazelnut	65	195
8	White	Big Town	West	Milk Chocolate	40	72
9	Green	Village	South	Chocolate Hazelnut	122	366
10	Yellow	Medium Town	East	Dark Chocolate	60	126
11	Silver	Medium Town	East	Extra Dark Chocolate	30	75
12	Gold	Medium Town	East	Chocolate Hazelnut	56	168

Ok, great, now we will move onto another kind of statement, or spreadsheet – a *profit and loss* statement. Can anyone give any ideas to what this might be? (hand out worksheet 2)

Profit is when a company makes money and its outgoings and expenses are less than the amount they make.

Now – I want you to work in pairs or alone and invent your own company! Think of what you sell and how much you might make. Be realistic! Then, consider all the outgoings and expenses, like salaries, rent, bills, materials. And fill in this worksheet (hand out worksheet 3). Did you make a profit...or overspend? Add up all your outgoings and fill the total in. Add up all your income and do the same. Then, take your outgoings away from your income and you will have your profit or loss.

Business name: _____		
INCOME STATEMENT		
Period Ending ____ / ____ /20 ____		
Income		
Sales		
Total Sales		
Cost of Goods Sold		
Production costs		
Net sales/Gross profit (Total sales - goods sold - other expenses = Net sales)		
Expenses		
Accountant Fees		
Advertising & Marketing		
Bank Fees & Charges		
Bank Interest		
Credit Card Processing		
Rent		
Lease/Loan Payments		
Telephone		
Motor Vehicle Expenses		
Repairs & Maintenance		
Administration (stationery, printing, etc.)		
Insurance		
Income Tax		
Utilities (electricity, water, etc.)		
Wages		
Total Expenses (Add all expenses)		
Net Profit (Total revenue - Total expenses = Net Profit)		

QUIZ SHEET

1. Can you think of way in which you could increase your income and decrease outgoings?
2. In the Business activity, were there more expenses than you expected? Could you think of more?
3. What could happen if a person did not keep track of their income and outgoings?
4. What effects could there be on an individual or company if they were constantly in loss/debit? *(jobs, cutbacks, business closing, having to take out loans?)*
5. What advantages/disadvantages do you think there might be in keeping accounts and balance sheets on paper, compared to on a computer?

Worksheet 1 – An example Spreadsheet

	A	B	C	D	E	F
1	Customer	City	Region	Product	Quantity	Total Sales
2	Orange	Big Town	West	Milk Chocolate	125	225
3	Red	Big Town	West	Dark Chocolate	210	441
4	Pink	Medium Town	East	Milk Chocolate	145	261
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12	Gold	Medium Town	East	Chocolate Hazelnut	56	168

Worksheet 2 – Profit/Loss Statement

PETTY CASH LOG

MONTH :

March

DATE	Voucher	DETAIL	CASH IN	CASH OUT	BALANCE
1 st	1	Float	100.00		100.00
4 th	2	Milk		3.50	96.50
7 th	3	Box of blue pens		10.00	86.50
8 th	4	Ground coffee		7.00	79.50
15 th	5	Ream of printer paper		9.00	70.50
19 th	6	Croissants - Staff Meeting		15.00	55.50
20 th	7	Milk		3.50	52.00
22 nd	8	Payment from customer : R Green	12.50		64.50
23 rd	9	Jenny - office cleaner		25.00	39.50
25 th	10	Printer Ink		18.00	21.50
25 th	11	Parking		3.00	18.50
TOTAL CASH LEFT					18.50

FLOAT : 100.00
 LESS TOTAL CASH LEFT: 18.50
 = TOPUP 81.50

Worksheet 3 – Your Business Cashflow

Business name: _____		
INCOME STATEMENT		
Period Ending ____ / ____ /20____		
Income		
Sales		
Total Sales		
Cost of Goods Sold		
Production costs		
Net sales/Gross profit (Total sales - goods sold - other expenses = Net sales)		
Expenses		
Accountant Fees		
Advertising & Marketing		
Bank Fees & Charges		
Bank Interest		
Credit Card Processing		
Rent		
Lease/Loan Payments		
Telephone		
Motor Vehicle Expenses		
Repairs & Maintenance		
Administration (stationery, printing, etc.)		
Insurance		
Income Tax		
Utilities (electricity, water, etc.)		
Wages		
Total Expenses (Add all expenses)		
Net Profit (Total revenue - Total expenses = Net Profit)		