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| **TEXAS CTE LESSON PLAN**  [www.txcte.org](http://www.txcte.org) | |
| **Lesson Identification and TEKS Addressed** | |
| **Career Cluster** | Finance |
| **Course Name** | Accounting I |
| **Lesson/Unit Title** | Notes and Interest |
| **TEKS Student Expectations** | **130.187 (c) Knowledge and Skills**  (7) The student performs accounts payable functions. The student is expected to:  (C) post to an accounts payable subsidiary ledger  (D) process invoices for payment  (E) prepare a schedule of accounts payable  (8) The student performs accounts receivable functions. The student is expected to:  (D) post to an accounts receivable subsidiary ledger  (H) prepare a schedule of accounts receivable |
| **Basic Direct Teach Lesson**  (Includes Special Education Modifications/Accommodations and  one English Language Proficiency Standards (ELPS) Strategy) | |
| **Instructional Objectives** | **Performance Objective:**  Upon completion of this lesson, the student will demonstrate skill in calculating interest and discounts on interest-bearing notes, non-interest-bearing notes, and discounted notes as well as journalizing notes transactions  **Behavioral Objectives:**   * Define terms related to notes and interest. * Calculate interest and maturity dates for notes. * Analyze and journalize transactions for notes payable and notes receivable. |
| **Rationale** | Companies often extend credit to other businesses in the form of a note, or a short-term loan. Most notes pay a stated rate of interest, resulting in interest revenue that the lender must record at various points in time until the note comes due. This lesson will demonstrate how to calculate interest and discounts on interest-bearing notes, non-interest-bearing notes, and discounted notes, as well as journalizing notes transactions. |
| **Duration of Lesson** | Teacher’s Discretion |
| **Word Wall/Key Vocabulary**  *(ELPS c1a, c, f; c2b; c3a, b, d; c4c; c5b) PDAS II (5)* | **Activity 7.7.1 – Identifying Terms**  Purpose: Demonstrate skill in identifying terms related to notes and interest.  1. Have students break into teams of 3 or 4 students. Ask them to draw an image of a promissory note on poster board and use markers to identify these parts. Have students put the definition of promissory note at the top of the poster.   * Date of a note * Time of a note * Payee of a note * Principal of a note * Interest rate of a note * Maturity date of a note * Maker of a note * Number of a note   2. Have students define these words and write a complete sentence using the word or phrase appropriately.   * Interest * Interest-bearing note * Non-interest-bearing note * Maturity value * Creditor * Notes payable * Current liabilities * Interest expense * Bank discount * Discounted note * Proceeds * Notes receivable * Interest income * Dishonored note * Face value |
| **Materials/Specialized Equipment Needed** | **Materials, Equipment, and Resources:**   * Textbook * Accounting Software * Journal Input Forms * Internet * Spreadsheet Software * Multimedia Presentation Software * Poster Board * Markers |
| **Anticipatory Set**  (May include pre-assessment for prior knowledge) |  |
| **Direct Instruction \*** | Instruction on calculating interest, discounts and maturity dates on notes and demonstrations on analyzing and journalizing transactions relating to notes.  Activity 7.7.2 – Calculating Interest  Purpose: Demonstrate skill in calculating simple interest on a promissory note.   1. Discuss and demonstrate the formula for simple interest. Review the terms associated with the formula. You might want to teach them to use the spreadsheet as their calculator.  |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Principal** | **Rate** | **Time** | **Interest** | **Maturity Value** | | (Amount borrowed) | (Stated as a percent) | (Must be stated in years) | (prt=i) | (Principal + Interest) | | $5,000 | 10% | 1 year | $500 | $5,500 | | 5000\*10%\*1 = 500 | | | 5000+500=5500 | | | $5,000 | 10% | 6 months | $250 | $5,250 | | 5000\*10%\*6/12 = 250 | | | 5000+250=5250 | | | $5,000 | 10% | 30 days | $41.67 | $5,041.67 | | 5000\*10%\*30/360 = 41.67 | | | 5000+41.67=5041.67 | |  1. Have students calculate the simple interest. Check for answers when they have finished.  |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **Principal** | **Rate** | **Time** | **Amount of Interest** | | 1. | $20,000 | 12% | 2 years |  | | 2. | $45,000 | 13% | 10 years |  | | 3. | $7,000 | 10% | 2 years |  | | 4. | $450 | 5% | 60 days |  | | 5. | $850 | 4.5% | 30 days |  | | 6. | $2,000 | 6% | 6 months |  | | 7. | $3,100 | 7% | 1 year |  | | 8. | $100,000 | 14% | 2 years |  | | 9. | $300 | 3% | 45 days |  | | 10. | $900 | 9% | 90 days |  |  1. Using a calendar, have students calculate maturity dates on notes. Do the first few with them and check for correct answers when they have finished.  |  |  |  |  | | --- | --- | --- | --- | | **Date Note Issued** | **Length of Note** | | **Maturity Date** | | January 1, 2004 | 6 months |  | | | March 9, 2004 | 1 year |  | | | June 15, 2004 | 30 days |  | | | October 1, 2004 | 45 days |  | | | April 12, 2004 | 2 years |  | | | February 5, 2004 | 60 days |  | | | May 21, 2004 | 90 days |  | | | June 23, 2004 | 20 days |  | |   **Activity 7.7.3 – Calculating Proceeds**  Purpose: Demonstrate skill in calculating proceeds on a discounted note.   1. Discuss the term “proceeds.” Use other ways the term is used to relate it to this situation. 2. Demonstrate the formula to calculate proceeds from a discounted note. Step 1:  |  |  |  |  | | --- | --- | --- | --- | | **Maturity Value** | **Discount Rate** | **Time** | **Bank Discount** | | $6,000.00 X | 6% X | 6 months = | $180.00 |   Step 2:   |  |  |  | | --- | --- | --- | | **Maturity Value** | **Bank Discountt** | **Proceeds** | | $6000.00 - | $180.00 = | $5,820.00 |  1. Demonstrate the formula to calculate proceeds using a Discounted Notes spreadsheet. Have your students calculate these problems and write their answers on a sheet of paper.  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | **Maturity Value** | **Interest Rate** | **Time** | **Bank Discount** | **Proceeds** | | 1. | $12,000.00 | 12% | 12 months |  |  | | 2. | $6,000.00 | 6% | 6 months |  |  | | 3. | $18,000.00 | 18% | 1.5 years |  |  | | 4. | $1,800.00 | 18% | 80 days |  |  | | 5. | $1,900.00 | 19% | 19 months |  |  | | 6. | $4,500.00 | 4.5% | 450 days |  |  | | 7. | $16,050.00 | 16% | 4 years |  |  | | 8. | $18,000.00 | 18% | 180 days |  |  | | 9. | $25,115.00 | 25% | 2 years |  |  |   **Activity 7.7.4 – Analyzing and Journalizing Notes Transactions**  Purpose: Demonstrate skill in analyzing and journalizing transactions relating to notes.   1. Explain and demonstrate the following new accounts used in journalizing notes:   Interest Expense, Interest Income, Notes Payable, Notes Receivable   1. Demonstrate and explain transactions relating to notes using a Journalizing Notes presentation you prepare or an online resource. 2. After the slide show, have your students use the examples to enter a journal input form. 3. Have your students use their accounting software to enter the transactions.   *Individualized Education Plan (IEP) for all special education students must be followed. Examples of accommodations may include, but are not limited to:*  *NONE* |
| **Guided Practice \*** | * Observation * Demonstration * Verbal Drills   *Individualized Education Plan (IEP) for all special education students must be followed. Examples of accommodations may include, but are not limited to:*  NONE |
| **Independent Practice/Laboratory Experience/Differentiated Activities \*** |  |
| **Lesson Closure** |  |
| **Summative/End of Lesson Assessment \*** | * Observation * Graded Assignments * Quiz on Simple Interest * Analyzing Notes Quiz   *Individualized Education Plan (IEP) for all special education students must be followed. Examples of accommodations may include, but are not limited to:*  NONE |
| **References/Resources/**  **Teacher Preparation** | Textbooks:  Guerrieri, Donald J., Haber, Hoyt, Turner. Glencoe Accounting Real- World Applications and Connections. Glencoe McGraw-Hill 2000. ISBN/ISSN 0-02-815004-X.  Ross, Kenton, Gilbertson, Lehman, and Hanson. Century 21 Accounting Multicolumn Journal Anniversary Edition, 1st Year Course. South- Western Educational and Professional Publishing, 2003.  ISBN/ISSN: 0-538-43524-0  Ross, Kenton, Gilbertson, Lehman, and Hanson. Century 21 General Journal Accounting Anniversary Edition, 7th Edition. South- Western Educational and Professional Publishing, 2003.  ISBN/ISSN: 0-538-43529-1. |
| **Additional Required Components** | |
| **English Language Proficiency Standards (ELPS) Strategies** |  |
| **College and Career Readiness Connection[[1]](#footnote-1)** |  |
| **Recommended Strategies** | |
| **Reading Strategies** |  |
| **Quotes** |  |
| **Multimedia/Visual Strategy**  **Presentation Slides + One Additional Technology Connection** |  |
| **Graphic Organizers/Handout** |  |
| **Writing Strategies**  **Journal Entries + 1 Additional Writing Strategy** |  |
| **Communication**  **90 Second Speech Topics** |  |
| **Other Essential Lesson Components** | |
| **Enrichment Activity**  (e.g., homework assignment) |  |
| **Family/Community Connection** |  |
| **CTSO connection(s)** | Business Professionals of America  Future Business Leaders of America |
| **Service Learning Projects** |  |
| **Lesson Notes** |  |

1. Visit the Texas College and Career Readiness Standards at <http://www.thecb.state.tx.us/collegereadiness/CRS.pdf>, Texas Higher Education Coordinating Board (THECB), 2009. [↑](#footnote-ref-1)