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| **TEXAS CTE LESSON PLAN** [www.txcte.org](http://www.txcte.org) |
| **Lesson Identification and TEKS Addressed** |
| **Career Cluster** | Business Management and Administration |
| **Course Name** | Principles of Business, Marketing, and Finance |
| **Lesson/Unit Title** | Factors Affecting a Company’s Income Statement |
| **TEKS Student Expectations** | **130.132. (c) Knowledge and Skills**(4) The student differentiates between the types of economic systems with emphasis on the private enterprise system and the U.S. economy. The student is expected to:(C) identify factors affecting a business' profits, revenues, and expenses |
| **Basic Direct Teach Lesson**(Includes Special Education Modifications/Accommodations and one English Language Proficiency Standards (ELPS) Strategy) |
| **Instructional Objectives** | The student differentiates between the types of economic systems with emphasis on the private enterprise system and the United States economy. |
| **Rationale** | Students aspiring a career in Business must understand the types of economic systems, and the factors that affect profits and losses. |
| **Duration of Lesson** | 3 periods of 45-minutes |
| **Word Wall/Key Vocabulary***(ELPS c1a, c, f; c2b; c3a, b, d; c4c; c5b) PDAS II (5)* | **Factors of Production**The economic resources used to produce goods and services.**Natural Resources**Raw materials found in nature used to produce goods.**Human Resources**The knowledge, efforts, and skills people bring to their work, also called labor.**Capital Resources**Things such as buildings, materials, and equipment used to produce goods and services.**Entrepreneurial Resources**The initiative to improve goods and services or create new ones.**Fixed Expenses**Fixed expenses are expenses that occur regularly and that must be paid regularly.**Variable Expenses**Variable expenses are expenses that fluctuate and over which you have no control.**Income Statement**A report of the net income or loss over an accounting period.**Revenue**Government or business income [from sales of services or products].**Expenses**Items that the government or businesses spend money on. Fixed expenses are those that occur regularly and that must be paid regularly [rent]. Variable expenses are those that fluctuate and over which there is no control [utilities].**Net Income**The amount by which revenue exceeds expenses.**Net Loss**The amount by which expenses exceed revenue.**Cost of Sales [or Cost of Goods Sales]**The amount of money that the company spent to produce the goods and services sold during the accounting period. |
| **Materials/Specialized Equipment Needed** | Instructional Aids:1. Optional – Overhead, SmartBoard, Internet, ELMO (if available and where applicable)

Materials Needed:1. Textbook
2. Internet
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| **Anticipatory Set**(May include pre-assessment for prior knowledge) |  |
| **Direct Instruction \*** | 1. Application – Guided Practice
	1. Students complete an activity that allows them to begin understanding the factors of production.
	2. Students collaboratively list items as specific factors of production.
	3. Students learn about financial statements, focusing on the income statement.
	4. Activity 1
		1. Direct students to UNC at Chapel Hill LEARN NC online lesson: The four factors of production
		2. Print and distribute assignment from website: <http://www.learnnc.org/lp/pages/3760>
		3. Inform students that the lesson has been modified [for simplicity purposes]. Class will use apple juice instead of Almond Joy. Distribute apple juice boxes.
		4. Allow students to first generate their own list.
		5. Next, have the students to talk about their list.
		6. Write the combined list in a visible area; avoid duplicating responses (invite a “scribe” to write down the responses).
		7. Guide the students through the factors of production
		8. Timeline is not required
	5. Activity 2
		1. Guide students through the Organize Your Thoughts exercise
		2. Lead discussion on financial statements, concentrating on income statements.
			1. Refer to the website: [**http://www.sec.gov/investor/pubs/begfinstmtguide.htm**](http://www.sec.gov/investor/pubs/begfinstmtguide.htm)
			2. Access more information about cost control
2. Application – Independent Practice
	1. Students repeat the guided practice activity using potato chips.
	2. Students sort items, classifying them as specific factors of production.
	3. Students brainstorm two methods to increase a business’ profitability by increasing revenue, and/or decreasing cost of sales, and/or decreasing expenses.
	4. Students share their suggestions with the class. Utilize a large, visible surface such as a white board to allow students to write their responses, sharing them with the class.

*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 \*** | 1. Learn about factors of production.
	* 1. Direct students to UNC at Chapel Hill LEARN NC online lesson: *The four factors of production*
		2. Print and distribute assignment from website: <http://www.learnnc.org/lp/pages/3760>
		3. Inform students that the lesson has been modified [for simplicity purposes]. Class will use apple juice instead of Almond Joy. Distribute apply juice boxes.
		4. Allow students to first generate their own list.
		5. Next, have the students talk about their list.
		6. Write the combined list in a visible area; avoid duplicating responses (invite a “scribe” to write down the responses).
		7. Guide the students through the factors of production.
		8. Timeline is not required.
	1. Guide students through the Organize Your Thoughts exercise.
	2. Lead discussion on financial statements, concentrating on income statements.
		1. Refer to website: <http://www.sec.gov/investor/pubs/begfinstmtguide.htm>
		2. Identify more information about cost control.
	3. Lead discussion on how financial management strategies are associated with use of factors of production.

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| **Independent Practice/Laboratory Experience/Differentiated Activities \*** | 1. Students repeat the guided practice activity using potato chips.
2. Students sort items, classifying them as specific factors of production.
3. Students brainstorm two methods to increase a business’ profitability by either increasing revenue, decreasing cost of sales, or decreasing expenses.
4. Utilize a large, visible surface such as a wipe board to allow students to write their responses, sharing them with the class.

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| **Lesson Closure** | **Review:*** **Question:** Name and describe the four factors of production?
* **Answer:** Natural resources, human resources, capital resources, entrepreneurial resources
* **Question:** What does an income statement reflect?
* **Answer:** An income statement measures how much money a company earned and expenses thatcompany incurred during a period of time.
* **Question:** How is a business’ net income calculated?
* **Answer:** Net income equals total revenue less cost of sales and expenses, revenue being greater.
* **Question:** What is easier to affect - - fixed or variable cost? Why?
* **Answer:** Variable costs are easier to affect. Fixed costs are unchangeable as long as you have thesource. Examples: Rent, depreciation
* **Question:** Give three examples of how use of factors of production can positively affect financialstatement management.
* **Answer:** Varies.

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| **Summative / End of Lesson Assessment \***  | *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** | 1. Brown, Betty J. & Clow, John E. (2003). Introduction to Business: Fifth Edition*.* New York: Glencoe/Mac-Graw Hill.
2. \_\_\_\_\_\_\_\_ (2007). *Beginner’s Guide to Financial Statements.* Retrieved from U.S. Securities and Exchange Commission Web site: <http://www.sec.gov/investor/pubs/begfinstmtguide.htm>
3. Penn, Pace (2010, February 13). *The four factors of production.* Retrieved from University of North Carolina at Chapel Hill, LEARN NC Web site: <http://www.learnnc.org/lp/pages/3760>
4. *Rubistar.* (2000 – 2008). Retrieved from ALTEC of University of Kansas Web site:<http://rubistar.4teachers.org/index.php>
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| **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) | Allow students to explore other factors affecting a business’ profits, revenues, and expenses:* Supply and demand
* Price
* Government controls
* Global marketing
* Scarcity
* Promotional discounts/coupons
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| **Family/Community Connection** |  |
| **CTSO connection(s)** | FBLA, BPA |
| **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)