

Accounting Concepts – Internet Activities

Name:

Chapter 1 - Starting a Proprietorship

As you begin your career, many of you will decide to start your own business, much as Barbara Treviño did in Chapter 1. Starting a business is no small undertaking. There are many things to consider, such as the type of business to open, the legal aspects, and the characteristics needed to be a successful business owner. The U.S. Small Business Administration provides a web site to help you plan your business.

http://www.sba.gov/starting_business/startup/guide.html

1. What questions should you ask yourself if you are thinking about starting your own business? How would you answer these questions?
2. What is a business plan? Why do you need one to start your own business?
3. Why is it important to know accounting when starting your own business?

Chapter 2 – Changes that Affect Owner’s Equity

1) Read page 32 – Explore Accounting
Answer discussion questions 1 and 2

2) In the Explore Accounting feature, you learned that revenue should be counted as revenue when it is earned, regardless of when the cash is received. That is, if cash is collected before a product is delivered or a service is provided, then revenue should not be recognized until the promised action has been completed. Consider how this affects airlines.

www.southwest.com

1. Almost everyone pays for airplane tickets before they actually take a flight. Should an airline recognize the flight revenue when it collects the money or when the actual flight takes place?
2. Go to Southwest Airlines' web site and find its annual report. (Select the "About SWA" link to view a page that includes a link titled "Investor Relations." Select the "Annual Reports" link and click on the most recent annual report to open that report in .PDF format. Use the search tool to search for "Revenue Recognition".) When does Southwest recognize its flight revenue?
3. How much "unearned revenue" did Southwest report in its most recent balance sheet? (Hint: Check "Air traffic liability" on the balance sheet.)