



GEORGIA

PEACH STATE PATHWAYS

Career, Technical, & Agricultural Education

BUSINESS & COMPUTER SCIENCE

PATHWAY: Financial Management - Accounting

COURSE: Principles of Accounting I

UNIT 2: Accounting Cycle



INTRODUCTION

Annotation:

In this unit, students will learn the steps to the basic accounting cycle.

Grade(s):

<input type="checkbox"/>	9 th
<input checked="" type="checkbox"/>	10 th
<input checked="" type="checkbox"/>	11 th
<input checked="" type="checkbox"/>	12 th

Time: 60 Hours

Author: Gail Sams and Martha Widner

Additional Author(s): Dr. Marilyn K. Skinner and Curt McGahee

Students with Disabilities:

For students with disabilities, the instructor should refer to the student's IEP to be sure that the accommodations specified are being provided. Instructors should also familiarize themselves with the provisions of Behavior Intervention Plans that may be part of a student's IEP. Frequent consultation with a student's special education instructor will be beneficial in providing appropriate differentiation.



FOCUS STANDARDS

GPS Focus Standards:

BCS-PAI-4: Students will understand and apply the various steps of the accounting cycle for proprietorships and corporations and explain the purpose of each step.

GPS Academic Standards:

ELA10RC3. The student acquires new vocabulary in each content area and uses it correctly.

ELA10C1. The student demonstrates understanding and control of the rules of the English language, realizing that usage involves the appropriate application of conventions and grammar in both written and spoken formats.

ELA10SLVI. The student participates in student-to-teacher, student-to-student, and group verbal interactions.

MM2PI. Students will solve problems (using appropriate technology).

MM2P4. Students will make connections among mathematical ideas and to other disciplines.

National / Local Standards / Industry / ISTE:

Accounting I: Complete and explain the purpose of the various steps in the accounting cycle.

Accounting III: Prepare, interpret, and analyze financial statements using manual and computerized systems for service, merchandising, and manufacturing businesses.

Accounting IV: Apply appropriate accounting principles to payroll, income taxation, managerial systems, and various forms of ownership.



UNDERSTANDINGS & GOALS

Enduring Understandings:

The accounting cycle is a structured procedure that is required in the accounting process.

Essential Questions:

- What is the accounting equation?
- What are debits and credits?
- How do you analyze a business transaction?
- How do you journalize a business transaction?
- How do you post from the general journal?
- How do you prove general ledger accounts?
- How do you prepare a worksheet?
- How do you prepare a trial balance?
- How do you create a financial statement?
- How do you record adjusting and closing entries?

Knowledge from this Unit:

- Define accounting terms
- Explain why the accounting equation has to be balanced
- Name and define the types of accounts

Skills from this Unit:

Students will be able to:

- Analyze a business transaction
- Journalize a business transaction
- Post a business transaction
- Prove the general ledger
- Prepare a work sheet
- Prepare a trial balance
- Prepare financial statements
- Record adjusting and closing entries



ASSESSMENT(S)

Assessment Method Type: Select one or more of the following. Please consider the type(s) of differentiated instruction you will be using in the classroom.

- ☐ Pre-test
- ☒ Objective assessment - multiple-choice, true- false, etc.
 - ☒ Quizzes/Tests
 - ☐ Unit test
- ☐ Group project
- ☐ Individual project
- ☒ Self-assessment - May include practice quizzes, games, simulations, checklists, etc.
 - ☐ Self-check rubrics
 - ☐ Self-check during writing/planning process
 - ☐ Journal reflections on concepts, personal experiences and impact on one's life
 - ☐ Reflect on evaluations of work from teachers, business partners, and competition judges
 - ☐ Academic prompts
 - ☒ Practice quizzes/tests
- ☒ Subjective assessment/Informal observations
 - ☐ Essay tests
 - ☒ Observe students working with partners
 - ☐ Observe students role playing
- ☐ Peer-assessment
 - ☐ Peer editing & commentary of products/projects/presentations using rubrics
 - ☐ Peer editing and/or critiquing
- ☒ Dialogue and Discussion
 - ☐ Student/teacher conferences
 - ☒ Partner and small group discussions
 - ☒ Whole group discussions
 - ☐ Interaction with/feedback from community members/speakers and business partners
- ☐ Constructed Responses
 - ☐ Chart good reading/writing/listening/speaking habits
 - ☐ Application of skills to real-life situations/scenarios
- ☐ Post-test

Assessment(s) Title: Ebony's Floral, Amanda's Typing Service

Assessment(s) Description/Directions:

Use the attachments throughout the unit to practice using the accounting cycle.

Attachments for Assessment(s):

Ebony Floral

Amanda's Typing Service



LEARNING EXPERIENCES

Sequence of Instruction

BCS-PAI-4: Students will understand and apply the various steps of the accounting cycle for proprietorships and corporations and explain the purpose of each step.

Lesson 1: What is the accounting equation?

- **Define Vocabulary.**

- **Account balance:** amount in an account
- **Account title:** name given to an account
- **Account:** record summarizing all the info pertaining to a single item in the accounting equation
- **Accounting equation:** shows relationship among assets, liabilities, and owner's equity
- **Accounting records:** summaries of a business's financial activities
- **Accounting system:** planned process for providing financial information that will be useful to management
- **Accounting:** planning recording, analyzing, and interpreting financial information
- **Asset:** anything of value that is owned or controlled
- **Business ethics:** use of ethics in making business decisions
- **Capital:** account used to summarize the owner's equity
- **Equities:** financial rights to the assets of a business
- **Ethics:** principles of right and wrong
- **Expense:** decrease in owner's equity resulting from the operation of a business
- **Financial statements:** reports that summarize the financial condition and operations of a business
- **Liability:** amount of money owed to the creditors of a business
- **Owner's equity:** amount remaining after the value of all liabilities is subtracted from the value of all assets
- **Proprietorship:** business owned by one person
- **Revenue:** increase in owner's equity resulting from the operation of a business
- **Sale on account:** sale for which cash will be received at a later date
- **Service business:** performs an activity for a fee
- **Transaction:** business activity that changes assets, liabilities, or owner's equity
- **Withdrawals:** assets taken out of a business for the owner's personal use

- **Introduce asset, liability, and owner's equity accounts.**

Utilizing the accounting textbook (South-Western, Glencoe, etc.), teacher will introduce the basic accounting equation. Through teacher guidance students will complete various problems together for understanding. Students will then work independently to gain knowledge of basic concepts by completing application problems at the end of the chapter.

- **Supplemental Activities.**

- Accounting Equation Project: Students will choose a creative method to illustrate their understanding of the accounting equation. Projects may be creative as long as they reflect the basic accounting equation. (Examples: poem, song, collage, mobile, drawing, or any other medium)
- Video Scavenger Hunt: As a team, students will first define each term and then search to find the following items for a video. Students will explain items found. Include an explanation of the accounting concept illustrated. (Example: "Here is a fixed asset. A fixed asset is . . .")

Items to be searched for:

- Two fixed assets
- A journal
- Income statement showing a net income
- Income statement showing a net loss
- Cash receipt
- Check register
- Inventory items
- Bookkeeper
- Capital
- Balance Sheet
- Ethics
- Income Statement

- **Enrichment Activities.**

- Recycling Problems: Additional problems for students to expand their knowledge of the subject.
- Identify proprietorship and service business.
- List local businesses. Have students identify businesses as one of the three basic types of businesses.
- Analyze how transactions affect the accounting equation.
- Students will complete textbook and teacher generated problems.

Lesson 2: What are debits and credits? How do you analyze business transactions?

- **Define Vocabulary.**

- **Chart of accounts**: list of accounts used in a business
- **Credit**: amount recorded on the right side of a T-account
- **Debit**: amount recorded on the left side of a T-account
- **Normal balance**: side of the account that is increased
- **T-account**: accounting device used to analyze transactions

- **Analyze business transactions and create and use T-accounts.**

Utilizing the accounting textbook (South-Western, Glencoe, etc.), teacher will introduce the concepts of debit and credit. Students will determine the increase and decrease in an account. Students will identify the normal balance side of an account. Teachers should have students fill out the graphic organizer with the steps in analyzing a transaction.

1. Determine what accounts will be affected
2. Determine whether to increase or decrease the account
3. Determine whether the increase/decrease needs to be a debit or a credit
4. Make sure debits equal credit

Teachers should then model the steps while working through several problems with students

- **Supplemental Activities.**

- Log onto <http://www.bboinc.com/actghome/teacher.htm>. Complete the following worksheets for a better understanding of generally accepted accounting principles.
 - Account Classifications & Normal Balances
 - Analyzing Transactions
 - Effects of Debits and Credits in Transactions
- Richard Petty Lawn Care Activity – Students record transactions in T-accounts in this activity. Transactions and T-accounts are provided.
- John Jones Computing – Another T-account activity

Attachments for Learning Experiences:

Step by Step Graphic Organizer
 Richard Petty Lawn Care
 Richard Petty T-Accounts
 John Jones Computing
 John Jones T-Accounts

Lesson 3: How do you journalize business transactions?

- **Define Vocabulary.**

- **Check:** business form ordering a bank to pay cash from a bank account
- **Doubled entry accounting:** each transaction affects at least two accounts
- **Entry:** information for each transaction recorded in a journal
- **General journal:** journal with two amount columns in which all kinds of entries can be recorded
- **Invoice:** form describing the goods or services sold, the quantity, and the price
- **Journal:** form for recording transactions in chronological order
- **Journalizing:** recording a transaction in a journal
- **Memorandum:** form on which a brief message is written describing a transaction
- **Receipt:** business form giving written acknowledgement for cash received
- **Sales invoice:** invoice used as a source document for recording a sale on account
- **Source document:** business paper from which information is obtained for a journal entry

- **Record journal transactions; Identify and define source documents**

Utilizing the accounting textbook (South-Western, Glencoe, etc.), teacher will introduce the various source documents related to accounting and demonstrate how to apply the rules for recording journal entries.

- **Supplemental Activities.**

- Log onto <http://www.bboinc.com/actghome/teacher.htm>. Complete the following worksheets for a better understanding of generally accepted accounting principles.
 - 2.1 Account Analysis and Identification
 - 3.1 Classification of Accounts & Normal Balances
 - 3.2 Debiting and Crediting Accounts
- Two journalizing and posting problems are available. Students can do the journalizing after this lesson and the posting after the next lesson.
 - Journalizing and Posting – Ebony’s Florals (Cycle Problem 2 can be used through out the lesson by doing one portion at a time.
 - Amanda’s Typing Service

Attachments for Learning Experiences:

Ebony Floral
Amanda’s Typing Service

Lesson 4: How do you post from general journal to general ledger?

- **Define Vocabulary.**
 - **Account number**: number assigned to an account
 - **Correcting entry**: journal entry made to correct an error in the ledger
 - **File maintenance**: procedure for arranging accounts in a general ledger, assigning account numbers, and keeping records current
 - **General ledger**: a ledger that contains all accounts needed to prepare financial statements
 - **Ledger**: group of accounts
 - **Opening an account**: writing an account title and number on the heading of an account
 - **Posting**: transferring information from a journal entry to a ledger account
 - **Proving cash**: determining that the amount of cash agrees with the balance of the cash account
- **Prepare a chart of accounts; post from general journal to general ledger; prove general ledger**
Utilizing the accounting textbook (South-Western, Glencoe, etc.), teacher will introduce the various divisions of the chart of accounts to include the digit identification of various accounts. The teacher demonstrates the five steps of posting from the general journal to the general ledger. Students are shown the procedure for proving that debits equal credits in the general ledger.
- **Assessment Activity** – Students can use the Opening Ledger Accounts Activity to practice setting up ledger accounts from a chart of accounts. The students may do it in an Excel spreadsheet or the exercise may be printed and given to students.
- **Supplemental Activity** – Students can post to the ledger from their previous journal entries from Ebony’s Florals and Amanda’s Typing Service.

Attachments for Learning Experiences:

Opening Ledger Accounts
Ebony Floral

Lesson 5: How do you prepare a worksheet?

- **Define Vocabulary.**
 - **Adjustments**: changes recorded on a work sheet to update general ledger accounts at the end of a fiscal period
 - **Balance sheet**: financial statement that reports assets, liabilities, and owner's equity as of a specific date
 - **Fiscal period**: length of time for which a business summarizes and reports financial information
 - **Income statement**: financial statement showing the revenue and expenses for a fiscal period
 - **Net income**: difference between revenue and expenses when revenue is greater than expenses
 - **Net loss**: difference between revenue and expenses when expenses are greater than revenue
 - **Trial balance**: proof of the equality of debits and credits in the general ledger
 - **Work sheet**: columnar accounting form used to summarize the general ledger information needed to prepare financial statements
- **Prepare trial balance; post adjustments; prepare worksheet**

Utilizing the accounting textbook (South-Western, Glencoe, etc.), teacher will prepare the heading and trial balance of the worksheet. In addition, adjustments for supplies and prepaid insurance will be set up and posted. Account balances will be extended to prepare for the financial statements.
- **Supplemental Activities.**
 - Log onto <http://www.bboinc.com/actghome/teacher.htm>. Complete the following worksheets for a better understanding of generally accepted accounting principles.
 - 4.1 Adjustments
 - 4.2 Adjusting entries
 - Students can prepare the worksheets for Ebony's Floral and Amanda's Typing Service.

Attachments for Learning Experiences:

Ebony Floral
Amanda's Typing Service

Lesson 6: How do you create a financial statement?

- **Define Vocabulary.**
 - **Component percentage**: percentage relationship between one financial statement item and the total that includes the item
 - **Stakeholders**: person or groups who will be affected by an action

- **Prepare Income Statement; prepare a Statement of Changes in Owner's Equity; prepare a Balance Sheet**

Utilizing the accounting textbook (South-Western, Glencoe, etc.), teacher will present the steps in how to prepare an income statement, a statement of changes in owner's equity and a balance sheet. Students work on various problems and exercises in preparing financial statements. Teachers should be sure to point out the relationship between the Income Statement, Statement of Owner's Equity, and the Balance Sheet.

- **Assessment Activities.**

- Students can complete the Financial Statement Quick Quiz to make sure they know what goes on each financial statement
- Students can complete the financial statements for Ebony's Floral and Amanda's Typing Service.

Attachments for Learning Experiences

Financial Statement Quick Quiz

Ebony Floral

Amanda's Typing Service

Lesson 7: How do you record adjusting and closing entries?

- **Define Vocabulary.**

- **Accounting cycle**: series of accounting activities included in recording financial information for a fiscal period
- **Adjusting entries**: journal entries recorded to update general ledger accounts at the end of a fiscal period
- **Closing entries**: journal entries and to prepare temporary accounts for a new fiscal period
- **Permanent accounts**: accounts used to accumulate information from one fiscal period to the next
- **Post-closing trial balance**: trial balance prepared after the closing entries
- **Temporary accounts**: accounts used to accumulate information until it is transferred to the owner's capital account

- **Record adjusting entries; record closing entries; prepare post-closing trial balance**

Utilizing the accounting textbook (South-Western, Glencoe, etc.), teacher will record adjusting and closing entries to produce a post-closing trial balance.

- **Supplemental Activities.**

- Log onto <http://www.bboinc.com/actghome/teacher.htm>. Complete the following worksheets for a better understanding of generally accepted accounting principles.
 - 4.1 Adjustments
 - 4.2 Adjusting entries
 - 5.2 Steps in the closing process
 - 6.2 Closing entries and temporary accounts

- Students will complete the accounting cycle for Ebony's Floral and Amanda's Typing Service.
- **Extension Activity:**
 - Students can participate in the Monopoly Accounting Game. This may be done as individuals or as pairs. Students will keep track of accounting transactions as they play Monopoly.

Attachments for Learning Experiences

Ebony Floral
Amanda's Typing Service
Accounting Monopoly

Notes & Reflections:



CULMINATING PERFORMANCE TASK (Optional)

Culminating Unit Performance Task Title:

Cycle Problem

Culminating Unit Performance Task Description/Directions/Differentiated Instruction:

This Excel Problem will take the students through the entire Accounting Cycle. The problem may be printed to do a paper and pencil version or the students may do it online if they have computer access.

Attachments for Culminating Performance Task:

Cycle Problem



UNIT RESOURCES

Web Resources:

<http://www.bboinc.com/actghome/teacher.htm>

www.studybeat.com

www.collegecram.com

www.cliffnotes.com

Attachment(s):

ACME Halloween Company

Journalizing PDF

Journalizing and Posting Problem

Accounting Cycle Power Point

Materials & Equipment:

Calculator, Computer

Textbook, Workbooks

South-Western
Glencoe

What 21st Century Technology was used in this unit:

<input checked="" type="checkbox"/>	Slide Show Software
<input type="checkbox"/>	Interactive Whiteboard
<input type="checkbox"/>	Student Response System
<input type="checkbox"/>	Web Design Software
<input type="checkbox"/>	Animation Software
<input type="checkbox"/>	Email

<input type="checkbox"/>	Graphing Software
<input checked="" type="checkbox"/>	Calculator
<input type="checkbox"/>	Desktop Publishing
<input type="checkbox"/>	Blog
<input type="checkbox"/>	Wiki
<input checked="" type="checkbox"/>	Website

<input type="checkbox"/>	Audio File(s)
<input checked="" type="checkbox"/>	Graphic Organizer
<input type="checkbox"/>	Image File(s)
<input type="checkbox"/>	Video
<input type="checkbox"/>	Electronic Game or Puzzle Maker