



PATHWAY: Financial Management - Accounting

COURSE: Principles of Accounting I

UNIT 3: The Accounting Process



INTRODUCTION

Annotation: In this unit, students will learn about cash control systems, purchases and cash payments, journalizing sales and cash receipts using special journals, uncollectible accounts receivable, and plant assets and depreciation, and inventory.

Grade(s):

| | |
|---|------------------|
| | 9 th |
| X | 10 th |
| X | 11 th |
| X | 12 th |

Time: Thirteen 50 minute periods

Author: Dr. Marilyn K. Skinner, Martha Widner, and Gail Sams

Additional Author(s):

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-5. Students will use Generally Accepted Accounting Principles (GAAP) to determine the value of assets.

- a. Define and identify current and long-term assets and explain their impact on financial statements.
- b. Identify cash control techniques.
- c. Establish and maintain petty cash and change accounts.
- d. Examine the benefits of electronic fund transfers, ATM transactions, and uses of a debit card.
- e. Create and maintain the accounts receivable subsidiary ledger and account for credit card sales and apply appropriate accounting techniques for uncollectible accounts.
- f. Establish and maintain accounts for receivables.
- g. Calculate sales and purchases discounts.
- h. Calculate depreciation and apply appropriate accounting concepts and techniques for acquisition, depreciation, and disposal of property, plant, and equipment.
- i. Reconcile bank statements.
- j. Prepare, analyze, and maintain accounting records for short- and long-term assets using spreadsheet and/or accounting software.

BCS-PAI-6. Students will use Generally Accepted Accounting Principles (GAAP) to determine the value of liabilities.

- a. Define and identify current and long-term liabilities and explain their impact on financial statements.
- b. Create and maintain the accounts payable subsidiary ledger.
- c. Establish and maintain accounts for payables.
- d. Prepare and maintain accounting records for short- and long-term liabilities using spreadsheet and/or accounting software.

BCS-PAI-7. Students will use Generally Accepted Accounting Principles (GAAP) to determine the value of owners' equity.

- a. Explain the purpose of the capital and drawing accounts for a sole proprietorship.
- b. Explain the purpose of the following capital accounts for a corporation: common stock, preferred stock, paid-in capital, retained earnings, and dividends.
- c. Analyze and record investments by stockholders and the declaration and payment of dividends for a corporation.
- d. Differentiate between stockholders' equity and retained earnings.
- e. Use manual and computerized accounting systems for stockholders' equity.

BCS-PAI-8. Students will use Generally Accepted Accounting Principles (GAAP) to determine the value of revenue, expenses, gains, and losses.

- a. Describe the criteria used to determine revenue recognition.
- b. Record revenue-related transactions.
- c. Describe the criteria used to determine expense recognition.
- d. Record expense-related transactions.
- e. Distinguish between revenue and gains.
- f. Distinguish between expenses and losses.
- g. Record transactions resulting in gains and loss

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.

ELA10SLV1. The student participates in student-to-teacher, student-to-student, and group verbal interactions.

MM2P1. 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 II: Apply generally accepted accounting principles to determine the value of assets, liabilities, and owner's equity.

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



UNDERSTANDINGS & GOALS

Enduring Understandings:

- Cash is the most important asset of a business, the easiest to lose, and the asset that must be most strictly controlled
- Special Journals are the basis for accounting software.
- Differentiating between revenue and gains and expenses and losses is critical for tax reasons.
- Owner's Equity, including stockholder's equity, is made up of two parts: invested capital and earned capital.

Essential Questions:

- How are assets treated in the accounting records?
- What is the purpose of special journals?
- How are liabilities treated in the accounting records?
- How is owner's equity displayed for a sole proprietorship? A corporation?
- What are the accounting rules for recognizing revenues, expenses, gains, and losses?

Knowledge from this Unit:

- Students will know that current refers to assets or liabilities that will be used up in a year and long-term assets or liabilities will last more than one year.
- Students will understand several cash controls including petty cash procedures and bank reconciliation.
- Students will understand the purposes of special journals.
- Students will be able to identify the two parts of all owner's equity accounts.
- Students will understand the difference between revenue and gains and the difference between expenses and losses.

Skills from this Unit:

- Students will be able to keep a Petty Cash Record
- Students will be able to reconcile a bank statement
- Students will be able journalize, prove, and post from special journals
- Students will be able to calculate cash discounts.
- Students will be able to calculate straight-line depreciation
- Students will be able to calculate gain or loss from the sale of an asset.



ASSESSMENT(S)

Assessment Method Type:

- 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: Accounting Process Activities

Assessment(s) Description/Directions:

Students should complete activities according to the lesson plan.

Attachments for Assessment(s):



LEARNING EXPERIENCES

Sequence of Instruction

Lesson 1

- **BCS-PAI-5.** Students will use Generally Accepted Accounting Principles (GAAP) to determine the value of assets.
- **Essential Question:** How are assets treated in the accounting records?
- **Define Vocabulary:**
 - **Accounts Receivable** - Money owed to a company for goods and services it has sold.
 - **Bank Statement** - An account statement or a bank statement is a summary of all financial transactions occurring over a given period of time on a deposit account
 - **Cash**- money in the form of bills or coins
 - **Cash Short** and Over an income statement account in which shortages or overages in **cash** are recorded-
 - Change Fund- An amount of cash held by a department or office and used to give **change** to customers when they are paying for goods or services
 - **Check** - a written order directing a bank to pay money
 - **Current assets** - asset on the balance sheet which is expected to be sold or otherwise used up in the near future, usually within one year
 - **Deposit Slip** - An itemized slip showing the exact amount of paper money, coin, and checks being deposited to a particular account
 - **Depreciation** - decrease in value of an asset due to obsolescence or use
 - **Drawee** - the person (or bank) who is expected to pay a check or draft when it is presented for payment
 - **Drawer**- the person who writes a check or draft instructing the drawee to pay someone else
 - **Endorsement** - a signature that validates something such as a check.
 - **Fixed Assets**- Permanent assets of a company required for the regular conduct of business which will not be converted into cash during the next year
 - **Internal Control** - an accounting procedure or system designed to promote efficiency or assure the implementation of a policy or safeguard assets or avoid fraud
 - **Petty Cash**- small fund of cash that a firm keeps for the payment of incidental expenses
 - **Reconciliation** - In accounting, reconciliation refers to a process that compares two sets of records (usually the balances of two accounts) to make sure they are in agreement
 - **Schedule of accounts receivable**- a listing of customer accounts, account balances, and total amount due from all customers
 - **Signature Card**- A form signed by a depositor upon opening an account at a financial institution.
 - **Subsidiary Ledger** - The subsidiary ledger provides more specific information that is not able to be provided in the General Ledger, such as the name and demographics of each customer and the customer's balance

- **Introduce the lesson-**

Help students understand the difference between current assets and long-term assets(also called fixed assets, depreciable assets, or property, plant and equipment). Have students name current assets: cash, accounts receivable, supplies. Discuss with students the importance of controlling cash. Describe the primary cash control of a business is the checking account.

Review with students

- the parts of a check
- how to write a check
- how to write a deposit slip
- how to endorse a check
 - Blank endorsement
 - Full endorsement
 - Special endorsement
- how to reconcile a bank statement

Introduce students to the idea of Petty Cash. Demonstrate the journal entries for

- Establishing a Petty Cash Fund
- Replenishing a Petty Cash Fund
- Increasing or decreasing a Petty Cash Fund

Review the matching principle with students. Discuss with them that this is the basis for depreciating fixed assets. Demonstrate the straight line depreciation calculation and show students how to journalize the adjusting entry for depreciation expense.

- **Assessment Activities:**

- Lead students through the banking lessons at http://www.practicalmoneyskills.com/foreducators/lesson_plans/lev_3/L3Activities6.pdf
Students will learn to keep a running balance, fill out a deposit slip, read and reconcile a bank statement. PDF's are also available on how to write a check.
- Students may complete the Petty Cash Problem.
- Assets and Depreciation Performance task

Attachments for Learning Experiences:

Write a Check
Writing amounts
Petty Cash
Asset and Depreciation Performance Task

Lesson 2

- **BCS-PAI-5.** Students will use Generally Accepted Accounting Principles (GAAP) to determine the value of assets.
- **Essential Question:** What is the purpose of special journals?
- **Define Vocabulary:**
 - **Cash Payments Journal** – accounting journal where all cash payments are recorded
 - **Cash Receipts Journal** – accounting journal where all cash received by the business is recorded

- **Merchandise** – items bought to resell
 - **Merchandising business** – a business that buys and resells items
 - **Purchase Discount** – discount received from vendors for paying bills quickly.
 - **Purchases Journal** – accounting journal where all things bought on account are recorded
 - **Sales Discount** – discount given to credit customers for paying quickly
 - **Sales Journal**- accounting journal where all sales on account are recorded
- **Introduce Lesson.**
Introduce students to special journals using the PowerPoint provided. Make sure that they understand that special journals are used in place of the general journal. The general journal will now be used only to record returns and allowances, adjusting, closing, reversing and correcting entries.
 - **Assessment Activity** – Have students play monopoly without money but by recording their transactions in the special journals.

Attachments for Learning Experiences:

Monopoly

Lesson 3

- **BCS-PAI-6.** Students will use Generally Accepted Accounting Principles (GAAP) to determine the value of liabilities.
- **Essential Question:** How are liabilities treated in the accounting records?
- **Define Vocabulary.**
 - **Current Liabilities**- liabilities of the business that are to be settled in cash within the fiscal year or the operating
 - **Disbursement**- Money paid out or spent
 - **Long-term Liabilities** - liabilities with a future benefit over one year, such as notes payable that mature greater than one year
 - **Schedule of accounts payable:** a listing of vendors accounts, account balances, and total amount due all vendors
 - **Vendor** - A supplier of goods or services
- **Introduce the lesson.**
Review with students that liabilities represent what is owed by the company. Help students differentiate between current liabilities and long-term liabilities. Have student s suggest possible current liabilities. Discuss the posting from the special journals to the accounts payable control ledger and the accounts payable subsidiary ledger. Demonstrate how the control account and the subsidiary are reconciled through the schedule of accounts payable.
- **Assessment Activity** – Students can reinforce their understanding of Assets, Liabilities, Revenues, and Expenses through participating in the Accounting Basics activity.

Attachments for Learning Experiences:

Accounting Basics

Lesson 4

- **BCS-PAI-7.** Students will use Generally Accepted Accounting Principles (GAAP) to determine the value of owners' equity.
- **Essential Question:** How is owner's equity displayed for a sole proprietorship? A corporation?
- **Define Vocabulary.**
 - **common stock** - A class of stock in a company, normally with voting rights
 - **dividends** - the portion of corporate profits paid out to stockholders
 - **Owner's capital** – Owner's investment in the company plus net income not withdrawn by the owner
 - **Owner's Draw** – What an owner withdraws from the company.
 - **paid-in capital**- capital contributed to a corporation by investors above that of the par value
 - **preferred stock** - stock whose holders are guaranteed priority in the payment of dividends but whose holders have no voting rights
 - **retained earnings** - the portion of net income which is retained by the corporation rather than distributed to its owners as dividends
 - **stockholder /shareholder** - One who owns stock
- **Introduce the lesson.**

Review the Statement of Owner's Equity for a sole proprietorship with the students. Discuss the differences between a sole proprietorship and a corporation. Discuss the two parts of stockholder's equity: invested capital and retained earnings. Discuss the process of distributing the corporation's earnings through dividends. Discuss the three dates related to dividends- date of declaration, date of record, and date of payment – and the journal entries related to them. Demonstrate how the Stockholder's Equity portion of the Balance Sheet is constructed.
- **Assessment Activity** – Have students prepare a comparison of statements of Owner's Equity

Attachments for Learning Experiences:

Comparison of Owner's Equity

Lesson 5

- **BCS-PAI-8.** Students will use Generally Accepted Accounting Principles (GAAP) to determine the value of revenue, expenses, gains, and losses.
- **Essential Question:** What are the accounting rules for recognizing revenues, expenses, gains, and losses?
- **Define Vocabulary.**
 - **Expense** - Money spent by a firm to continue its ongoing operations
 - **Gain** - the proceeds from the sale of the investment minus the sum of the purchase price and all costs associated with it. ...

- **Loss**- occurs when the proceeds from a sale of an investment is less than the cost of the investment and all the costs associated with it.
 - **Revenue** - income that a company receives from its normal business activities
 - **Revenue Recognition** - revenues are recognized in the period in which they are earned
- **Introduce the lesson –**
Review with students the revenue recognition principle which states that revenue will be recognized when it is earned. Discuss the fact that revenue and expenses relate to the operation of the business. Differentiate revenues and Expenses with gains and losses which come from the sale of the company’s assets (i.e. the company sells a warehouse building it no longer needs). Tell students that the difference is particularly significant since revenues and expenses get different tax treatment than gains and losses. Gains are taxed at a higher rate and losses are limited by to certain amounts per year.
 - **Assessment Activity-** Have students complete the newspaper article activity.

Attachments for Learning Experiences:

Newspaper Article Activity

Notes & Reflections:

Practical money skills requires teacher registration (it’s free)



CULMINATING PERFORMANCE TASK (Optional)

Culminating Unit Performance Task Title: Assets and Depreciation

Culminating Unit Performance Task Description/Directions/Differentiated Instruction:

Students may choose to complete any combination of the small projects described in the attachment to total 100 points. Points are indicated for each problem. In addition, students may complete an additional project for a maximum of 25 points for extra credit.

Attachments for Culminating Performance Task:

Assets and Depreciation Performance Task



UNIT RESOURCES

Web Resources:

www.studybeat.com

www.collegecram.com

www.cliffnotes.com

Attachment(s):

Accounting Special Journals

Bank Reconciliation Form (As used by accountants)

Reconciling Bank Statement

Running Balance

Materials & Equipment:

Computer, Printer, LCD Projector, Pencil

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 checked="" 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 |