



GEORGIA

PEACH STATE PATHWAYS

Career, Technical, & Agricultural Education

BUSINESS & COMPUTER SCIENCE

PATHWAY: Financial Management - Accounting

COURSE: Principles of Accounting II

UNIT 5: Revenues and Expenses



INTRODUCTION

Annotation: This unit looks at accruals and deferrals as well as the multi step income statement and comparative balance sheet.

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: Six 50 minute periods.

Author: Dr. Marilyn K. Skinner

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-PAII-5. Students will use Generally Accepted Accounting Principles (GAAP) to determine the value of revenues and expenses.

- a. Analyze the effects of revenue on financial statements.
- b. Determine procedures for cash basis versus accrual methods.
- c. Use manual and computerized accounting systems for revenues.
- d. Differentiate between cost of sales and general operating expenses.
- e. Compare and contrast transactions recorded as assets versus expense, such as supplies inventory/supplies expense.
- f. Discuss year-end cut-offs for expenses.
- g. Use manual and computerized accounting systems for expenses.

GPS Academic Standards:

ELA11RC3. The student acquires new vocabulary in each content area and uses it correctly.

ELA11C1. 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.

ELA11SLV1. The student participates in student-to-teacher, student-to-student, and group verbal interactions.

MM3P1. Students will solve problems (using appropriate technology).

MM3P4. 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.



UNDERSTANDINGS & GOALS

Enduring Understandings:

- All adjusting entries made at the end of the accounting period affect both the income statement and the balance sheet.
- A cash basis business recognizes both revenues and expenses when cash changes hands.
- An accrual basis business recognizes revenue when earned and expenses when incurred.

Essential Questions:

- How are accrued and deferred revenues and expenses accounted for in an accrual basis accounting system?
- What is the format for a multi-step income statement?
- How are the Statement of Stockholder's Equity and the Balance Sheet presented?

Knowledge from this Unit:

The student will know:

- The difference between accrual and deferral.
- The sections in the multi-step income statement
- The difference between gross profit and net income
- The sections in a balance sheet
- The steps in closing for a corporation

Skills from this Unit:

The students will be able to:

- Make the adjusting entries for a corporation
- Complete and 8 column worksheet
- Construct a multi – step income statement
- Calculate gross profit
- Prepare a Statement of Stockholder's Equity and a Balance Sheet
- Complete the closing process for a corporation



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: Accrual or Deferral?

Assessment(s) Description/Directions:

Once students have become familiar with accrual and deferral concepts, have them take this assessment, Not only must they be able to complete the transaction, they must be able to identify the transaction as an accrual or deferral.

Attachments for Assessment(s):

Accrual or Deferral
Accrual or Deferral Key



LEARNING EXPERIENCES

Sequence of Instruction

BCS-PAII-5. Students will use Generally Accepted Accounting Principles (GAAP) to determine the value of revenues and expenses.

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- c. Use manual and computerized accounting systems for revenues.
- d. Differentiate between cost of sales and general operating expenses.
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- f. Discuss year-end cut-offs for expenses.
- g. Use manual and computerized accounting systems for expenses.

Lesson 1 - How are accrued and deferred revenues and expenses accounted for in an accrual basis accounting system?

- Define Vocabulary
 - **Accrual** – recognition of revenue earned but not received and expenses incurred but not paid
 - **Deferral** – recognition of revenue received but not earned and expenses paid but not incurred.

- Introduce the lesson – Using the textbook, introduce students to the concepts of accruals and deferrals. Remind students of the Matching Principle that says revenues should be matched with the expenses that helped to make them. Discuss the difference between the cash basis (revenues are recognized when cash is received and expenses when cash is paid) and the accrual basis (revenues are recognized when earned and expenses when incurred). Have students suggest businesses that might operate on each basis. Review with students the steps in closing for a corporation:
 1. Close revenues and all credit balance temporary accounts to Income Summary
 2. Close Expenses and all debit balance temporary accounts to Income Summary
 3. Close Income Summary to Retained Earnings.
- Assessment Activity – Have students do the Accrual or Deferral activity.

Lesson 2 - What is the format for a multi-step income statement?

- Define Vocabulary
 - **Cost of Goods Sold** – Cost of merchandise purchased and resold during the period
 - **Goods Available for Sale** – Beginning Inventory plus Net Purchases
 - **Gross Profit** – Net Sales minus Cost of Goods Sold.
 - **Gross Sales** – total sales before any deductions
 - **Net Purchases** – Purchases less Purchase discounts and Purchase returns
 - **Net Sales** – Gross Sales Less Sales Returns and Sales Discounts
 - **Operating Expenses** – Expenses associated with the day to day running of the company.
 - **Purchase Discounts** – discounts received for prompt payment
 - **Purchase Returns** – items returned to vendor
 - **Purchases** – items bought only to resell
 - **Sales Discounts** – amount of discounts given to customers for paying promptly
 - **Sales Returns and Allowances** – amount of goods returned by customers
- Introduce the lesson- Review the sections of the multi-step income statement using the text. Have the students practice setting up sections of an income statement individually, then put all the sections together.
- Assessment Activity – Form students into teams, give each team the information to produce a multi-step income statement. Instruct teams to assign each student a different part of the statement then come together to finish the statement. Alternate method, form teams and allow each team to construct a different portion of the multi-step income statement. Next jig saw the teams to form new teams in which each student has a portion of the statement and have the new teams build the statement.. Excel Spreadsheets for creating the final statements
- Extension Activity –Multi Step Crossword Puzzle

Lesson 3 - How are the Statement of Stockholder's Equity and the Balance Sheet presented?

- Define Vocabulary
 - **Classified Balance Sheet** –a Balance Sheet that divides the asset section into current assets and plant assets and liabilities into current liabilities and long-term liabilities
 - **Current Assets** - Assets that will be used up within one year.
 - **Current Liabilities** – Liabilities that will be paid within one year
 - **Dividends** – Earnings of a company distributed to the stockholders
 - **Long-term liabilities** – Debts that will not come due for payment within one year.
 - **Retained Earnings** – Earnings of a company kept in the company.

- Introduce the lesson – Show students a classified balance sheet and describe the proper order for each of the parts. Have students work with partners to construct classified balance sheets. Review the order again. Introduce the Statement of Stockholder's Equity. Let students know that the Statement of Stockholder's Equity may be a separate statement or combined with the Balance Sheet.
- Assessment Activity – a terrific interactive learning activity can be found at http://college.cengage.com/accounting/resources/instructors/air/fall_2003/bukics.htm
In the activity, students become the accounts and have to organize themselves in the correct order for a classified balance sheet. A full description of the activity is given at the website.
- Extension Activity – Classified Balance Sheet Word Scramble.

Attachments for Learning Experiences:

Accrual or Deferral?
 Accrual or Deferral Key
 Excel Spreadsheets for multi step Income Statement
 Multi Step Crossword Puzzle
 Classified Balance Sheet Word Scramble
 Balance Sheet Example

Notes & Reflections:

Understanding the multi-step income statement and the classified balance sheet is critical for performing financial analysis.



CULMINATING PERFORMANCE TASK (Optional)

Culminating Unit Performance Task Title:

Culminating Unit Performance Task Description/Directions/Differentiated Instruction:

Attachments for Culminating Performance Task:



UNIT RESOURCES

Web Resources:

<http://blog.accountingcoach.com/accrued-expenses/>

<http://www.cliffsnotes.com/WileyCDA/CliffsReviewTopic/Accrued-Expenses.topicArticleId-21081,articleId-21018.html>

<http://www.cliffsnotes.com/WileyCDA/CliffsReviewTopic/Financial-Statements.topicArticleId-21081,articleId-21023.html>

Attachment(s):

Materials & Equipment:

Computer, LCD, Printer, Markers, Constructions Paper, Scissors

What 21st Century Technology was used in this unit:

<input type="checkbox"/>	Slide Show Software	<input type="checkbox"/>	Graphing Software	<input type="checkbox"/>	Audio File(s)
<input type="checkbox"/>	Interactive Whiteboard	<input checked="" type="checkbox"/>	Calculator	<input type="checkbox"/>	Graphic Organizer
<input type="checkbox"/>	Student Response System	<input type="checkbox"/>	Desktop Publishing	<input type="checkbox"/>	Image File(s)
<input type="checkbox"/>	Web Design Software	<input type="checkbox"/>	Blog	<input type="checkbox"/>	Video
<input type="checkbox"/>	Animation Software	<input type="checkbox"/>	Wiki	<input checked="" type="checkbox"/>	Electronic Game or Puzzle Maker
<input type="checkbox"/>	Email	<input checked="" type="checkbox"/>	Website		