

## **Lesson Plan** **Accounting A**

### **Course Description**

The major emphasis of this course is to learn the fundamentals of double entry accounting for various types of business organizations.

### **Key Concept**

To effectively prepare a financial statement for various business entities

### **Performance Objectives**

- To prepare students to be able to budget their personal finances
- To understand accounting terminology

### **Pathway Standards Addressed**

#### **Accounting Services Pathway**

**A1.0** Students understand the basic principles and procedures of the accounting cycle

**A1.4** Prepare, analyze, and interpret financial statements for various business entities

### **Academic Skills Reinforced**

#### **Communications 2.0**

Students understand the principles of effective oral, written, and multimedia communication in a variety of formats and contexts.

**Reading 2.3** Verify and clarify facts presented in other types of expository texts by using a variety of consumer, workplace, and public documents.

#### **Algebra I Pathway**

**13.0** Students add, subtract, multiply, and divide rational expressions

#### **Academics 1.0**

Students understand the academic content required for entry into post secondary education and employment in the finance and business industry sector.

**1.2** Add, subtract, multiply and divide rational numbers, integers, fractions and terminating decimals and taking positive rational numbers to whole numbers powers

#### **Science 1.2**

Specific applications of investigation and experimentations

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- 1.a** Select and use appropriate tools and technology (such as computer linked probes, spreadsheets, and graphing calculators) to perform tests, collect data, analyze relationships, and display data.

### **Listening and Speaking 2.4**

Specific applications of English language arts

- 1.7** Use props, visual aids, graphs, and electronic media to enhance the appeal and accuracy of presentations

## **Foundation or ESLRS addressed**

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## Materials

- Classroom Textbook
- Standard Accounting Worksheets
- Calculators
- Pencils
- Audit page
- Monopoly grading page
- Monopoly Game boards
- Timer Clock
- Scratch Paper

## Motivational Opener

We have all played the game monopoly in our childhood. We have played this game for entertainment. We are now going to play this game and tie it with our class work. You will see how this game can be used as a learning experience to gain knowledge in the financial world for real life experiences. (Note: Ask students questions about their past gaming experiences with monopoly to get them engaged. When either loosing or winning!)

## Presentation: Teacher Activities

### OBJECTIVES

1. Student will apply what has been learned about the accounting cycle and record daily business transactions and adjusting entries in the General Journal and General Ledger.
2. All daily transactions will come from playing the game.
3. **Student will prepare the Trial Balance, Income Statement, Statement of Retained Earnings and Balance Sheet** for the months of Oct and Nov. Note: For this practice set only, the company has only two months in its year.
4. Student will prepare closing entries after the second month and a post-closing Trial Balance.

### STEPS TO START THE MONOPOLY GAME

1. Get into groups of four and choose your game piece.
2. Assign duties:
  - a) Banker that will handle the money,
  - b) The County Clerk will handle the Title Cards for the real estate until purchased,
  - c) The timer- keeps the turns moving. .
  - d) Inventory control - makes sure all the pieces are there at the end of the game. See the inventory control sheet.
3. The Banker hands out the cash of \$1500 (2 EACH OF \$500, \$100, \$50, 6 – \$20s

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5 EACH OF \$10, \$5, \$1)\*

4. The County Clerk will shuffle the Title Cards then pass out five to each player.\*\*
5. The name of your company is "Your Name" Consulting, this will appear on all the Financials.
6. Record the first transaction in the General Journal. Receipt of cash from bank \$1,500\* and the five properties\*\* in return for Common Stock. The property value is the price on the board. The cash and the price of the five properties should equal the amount of common stock.

\*Journal Entry is Dr Cash for \$1500 and Credit Common Stock for \$1500.

\*\*Journal Entry is Dr Property/Railroads and Credit Common Stock. Use the value on the front of the card for the cost of the property.

# AUDIT PAGE

NAME \_\_\_\_\_ Playing piece \_\_\_\_\_

(Submit this page with your practice Set)

Beginning cash \$1500

Beginning property cards

	Name	Cost
1.	_____	\$ _____
2.	_____	\$ _____
3.	_____	\$ _____
4.	_____	\$ _____
5.	_____	\$ _____

Ending Property cards

	Name	Cost	\$Depr	Carry. Value
1.	_____	_____	_____	_____
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____
7.	_____	_____	_____	_____
8.	_____	_____	_____	_____
9.	_____	_____	_____	_____
<b>TOTAL</b>		\$ _____	\$ _____	\$ _____

(Does it match the value in Property/ Railroad account and Accum Depr account?)

	October Ending Cash		November Ending Cash	
	#	\$	#	\$
\$500	_____	_____	_____	_____
\$100	_____	_____	_____	_____
\$50	_____	_____	_____	_____
\$20	_____	_____	_____	_____
\$10	_____	_____	_____	_____
\$5	_____	_____	_____	_____
\$1	_____	_____	_____	_____
<b>TOTAL</b>	_____	_____	_____	_____

(Does it match the General Ledger Cash Account for each month ?)

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### **Running the game**

**Set up** should take about twenty minutes. This is to set out the board, choose the game piece, and receive the money. The banker should set up the money and the county clerk should set out the title cards during this 20 minutes.

**Transactions.** The first 10 rolls will be for the month of Oct. The first roll would use the transaction date of Oct 1, the second roll, Oct 2, the third roll, Oct 3. etc. Record these in the General Journal. You can have more than one journal entry in a day. Count your cash and write it down. Rolls 11-20 will be Nov transactions and recorded in the same way as Oct.

Note: The rolls are your entry but can cause another player to have an entry. Same applies if someone rolls and lands on your property then you get rental revenue. If you land on their property it is rent expense to you.

Leave space on the General Journal to enter adjusting entries for the month.

Always record the name of the property when purchased, paying rent, and receiving rent.

Adjusting entries can be entered at home. Remember adjusting entries are internal transactions and are not part of the rolling of the dice.

### **RULES**

1. Each person will throw two dice to determine how many steps to take. Each turn will be equal to a day.
2. You do not need to have all the same color cards to add a house.
3. You can add a hotel after you have two houses on a piece of property, not four.
4. Pay all fines and taxes to bank not to Free Parking.
5. If you land on Free Parking you get another turn.
6. You do not have to buy the property you land on.
7. You do not need to buy all three or two properties to collect rent and to add buildings.
8. The banker gets to roll first since (s) he has to do a lot of work.
9. You cannot go bankrupt. You must borrow money at 1% interest per month paid to the bank at the end of each month. Mortgage your Property!!!
10. You can receive rent as a promise to pay next month. Use Notes Receivable to record this transaction. Your tenant needs to sign a not and pay 1%/month interest--it will be a note payable to the tenant.

### **TRANSACTIONS**

#### Basic Instructions

1. Record Transactions as they occur in the General Journal. You can record the adjusting entries and post all entries to the General Ledger and do the Financials

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at home. Failure to record transactions in a timely manner can lead to problems of imbalance later in the practice set.

2. Use the below Chart of Accounts for your account names and numbers. Use the forms in the working papers.
3. REMEMBER: Your cash account should always equal what you have on hand. Make sure to note your cash balance after each transaction or at the end of the month.
4. The bank will advance the player as much money as she or he needs at 12 %-- 1% interest per month. Use Note Payable in this case.
5. REMEMBER: IF YOU CAN'T RECORD IT, DON'T DO IT

### Chart of Accounts

Current Assets	Revenue
101 Cash	401 Rental Revenue
102 Notes Receivable	402 Consulting Revenue
103 Deferred Income Tax	403 Interest Income
104 Repair Supplies	404 Other Revenue
105 Prepaid Insurance	
Property, Plant and Equipment	
150 Property/Railroads	
151 Accumulated Depreciation	Expenses
	501 Rent Expense
Current Liabilities	502 Utility Expense
201 A/P	503 Interest Expense
202 Notes Payable	504 Depreciation Expense
	505 Insurance Exp.
Long Term Liabilities	506 Advertising Exp
220 Mortgage Payable	507 Supplies Exp
	508 Income Tax Expense
	509 Miscellaneous Exp
Stockholders Equity	
300 Common Stock	
301 Retained Earnings	
302	

### Daily Transactions

#### Revenue

1. When you pass GO the \$200 is considered Consulting Revenue.
2. When you collect rent it is considered Rent Revenue whether it is on property or railroads.
3. Dollars received for Inheritance, grand opera opening, bank error, services or beauty contest is considered other revenue.

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4. \$150 building and loan maturity, Life Insurance matures, or Christmas Fund Matures cards are considered Interest Income. Same thing for the Bank Dividend. This is really interest.
5. When you buy a house make sure to note what property you have put it on.

### **Other**

6. Sale of stock increases Common Stock.

### **Expenses**

7. When you pay rent, it is rent expense. The date rent is received is the same date as rent paid by other player.
8. If you go to jail just pay \$50 as a Miscellaneous Expense to the bank and take the next turn.
9. If you land on a Utility, pay the other player then record it as Utility Expense. It will be rent income for the owner of the Utility Card.
10. Any taxes paid are considered Deferred Income Tax, an asset. Income Tax refund reduces Deferred Income Tax.
11. If you get the Chance card that you are elected as chairman of the board and you must pay each player \$50. Consider this advertising expense. Player receiving the \$50 would record it as Consulting Revenue.
12. Any repairs should be considered repair supplies. At the end of the month one-half of the supplies have been used.
13. Any medical bills must be recorded to prepaid insurance. At the end of the month one-half of the insurance has been used.
14. Luxury Tax - if you land on it you must pay and record it as Income Tax Expense.

### **EOM (OCT) and EOY (Nov) Adjusting Entries**

1. Depreciation should be calculated using Straight-line 10 year life. 10% salvage Value.
2. Income Tax is estimated at 30% of net income, if you have any.
3. Repair supplies inventory is 50% of the available supplies, if any.
5. Fifty percent of prepaid insurance has expired, if any.
6. Do not make any adjusting entry of an account you have not used.

### **INSTRUCTIONS TO PLAY THE GAME. And Complete the Manual Practice Set.**

1. Roll the dice to move your piece.
2. Record each transaction with each move in the General Journal.
3. Each roll represents one day.
4. After 10 rolls it is the end of Oct. You can play more if there are not enough transactions to create a good income statement. Be sure to note your Cash balance.
5. Record any end of month adjusting entries.
6. Post to the General Ledger and create a Trial Balance. (This can be done at home)

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7. Create the Oct Income statement, Statement of Retained Earnings, and Income Statement. (This is to be completed at home)
8. Make another 10 rolls for the month of Nov, recording the entries to the General Journal as you go.
9. Post to the General Ledger and create a Trial Balance. (This can be done at home)
10. Record the adjusting entries and create an Adjusted Trial Balance. (At home)
11. Create the Nov Income statement, Statement of Retained Earnings, and Income Statement. (This is to be completed at home)
12. Enter the closing entries, post to the General Ledger, and create Post Closing Trial Balance. (This can be completed at home.)

### **Special Spaces**

**GO** – When you go all the way around and pass go you will collect \$200, which is consulting revenue.

**INCOME TAX** – Pay 10% of your cash and property value to a maximum of \$200. This will be income tax expense. For example, if you had \$1000 in cash you would pay \$100 to the bank. If you had \$1000 and property Baltic (\$60), Oriental (\$100) and States (\$140) which totals \$1300 you would pay \$130. If it is more than \$2000 you only have to pay \$200.

**JUST VISITING JAIL - No** Transaction.

**Free Parking** – Get another roll—no transaction to record

**GO TO JAIL** – **Go to the IN JAIL corner. You can pay \$50 and record it to Miscellaneous Expense.**

**? Chance** – Pick a change card from the center of the board. Go to Table 1 for directions.

**Community Chest** - Pick a change card from the center of the board. Go to Table 2 for directions.

**Utilities** – If you land on Electric company or Water Works you can buy it if someone else does not own it. If it is owned you must roll the dice and pay 4 times the amount of the roll of two dice. It is 10 times if the same person owns both.

**Luxury Tax - Pay** \$75 to the bank. Record it as Income Tax Expense.

### TABLE ONE LEGEND FOR COMMUNITY CHEST AND CHANCE CARDS

#### *Community Chest*

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**CARD**

Get out of Jail Free  
Pay Hospital \$100

**TRANSACTION**

Keep until you need it  
Pay to bank and record it as a Misc Expense

**Chance**

Get out of Jail Free  
Go to Jail

Keep it until you need it  
Go to Jail, no \$200. Can pay \$50 to bank to get out

**Application: (Student Activities)**

**SUMMARY OF ACTIVITIES**

1. Choose the player piece.
2. Get money and property from the bank. Record the transaction.
3. Roll the 10 times for each person recording the transactions as they occur.
4. Make note of your cash after every one has had 10 rolls. This is the end of the Oct.
5. Post the journal entries to the General Ledger if you have not done it when entering the journal entries.
6. Prepare a Trial Balance for Oct.
7. Make your adjusting entries for depreciation and if you have prepaid insurance or supplies.
8. Prepare Oct. Adjusted Trial Balance.
9. Prepare Income Statement, Statement of Retained Earnings and Balance Sheet.
10. Roll 10 times again for November.
11. Make note of your cash after every one has had 10 rolls. This is the end of the Nov.
12. Post the journal entries to the General Ledger if you have not done it when entering the journal entries.
13. Prepare a Trial Balance for Nov.
14. Make your adjusting entries for depreciation and if you have prepaid insurance or supplies.
15. Prepare Nov. Adjusted Trial Balance.
16. Prepare Income Statement, Statement of Retained Earnings and Balance Sheet.
17. Prepare the closing entries on the general journal
18. Post the entries to the general Ledger
19. Prepare Post Closing Trial Balance.

**Assessment Evaluation**

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Monopoly Grading Sheet

OCT

Oct Transactions	10 points	_____
Good Form		
Posting Reference		
Trial Balance	5 points	_____
Balanced		
Accounts on Correct Side		
Matches General Ledger		
Adjusting Entries	3 points	_____
Adjusted Trial Balance	4 points	_____
Income Statement	5 points	_____
Retained Earnings Statement	5 points	_____
Balance Sheet	5 points	_____
General Ledger	5 points	_____
Account Balances Correct		
Posting Reference		

NOV

Nov Transactions	10 points	_____
Good Form		
Posting Reference		
Trial Balance	5 points	_____
Balanced		
Accounts on Correct Side		
Matches General Ledger		
Adjusting Entries	3 points	_____
Adjusted Trial Balance	4 points	_____
Income Statement	5 points	_____
Retained Earnings Statement	5 points	_____
Balance Sheet	5 points	_____
General Ledger	5 points	_____
Account Balances Correct		
Posting Reference		

CLOSING

Transactions	6 points	_____
Post to General Ledger	5 points	_____
Post Closing Trial Bal	5 points	_____
 TOTAL POINTS	 <u>100</u>	 =====

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SUBMITTED FOR GRADE - in this order

The Fiscal year ends in Nov 200X

1. Monopoly Grading Sheet
2. Audit Sheet
3. General Ledger
4. General Journal for Oct, includes Adjusting Entries
5. Trial Balance for Oct
6. Oct Income Statement
7. Oct Retained Earnings
8. Oct Balance Sheet
9. General Journal for Nov (includes Adjusting and Closing Entries)
10. Trial Balance for Nov
11. Adjusted Trial Balance- Nov
12. Nov Income Statement
13. Nov Retained Earnings
14. Nov Balance Sheet
15. Post Closing Trial Balance

### **Closure**

The students upon completion of this lesson will be able to effectively prepare a financial statement for various business entities, and understand the fundamentals of double entry accounting. The students will also be able to apply what has been learned about the accounting cycle and record daily business transactions and adjusting entries in the General Journal and General Ledger.