**BMCHSD**

**College Accounting**

**Duration: 1 Year**

**Description:**

This course is designed to provide students with an understanding of general accounting concepts and the accounting cycle for merchandise and service businesses. Students also assess the financial condition and operating results of a company and devise and analyze financial statements to make informed business decisions. An overview of banking and payroll concepts are also covered as they relate to accounting. This course is highly recommended to students who are thinking about pursuing accounting as a college major or another specialization in business. Students in 11th and 12th grades have an opportunity to earn \_\_\_\_ college credits through \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ upon successful completion of the course. Both manual and computerized procedures are covered.

**Textbook and Curriculum Materials:**

* McGraw Hill - Glencoe Accounting, First-Year Course textbook
* McGraw Hill - Glencoe Accounting, First-Year Course Chapter Reviews and Working Papers
* Peachtree Complete® Accounting Practice Sets and Spreadsheet Templates software

**Unit 1:**

**The Accounting Cycle /**

**Basic Accounting Concepts for a Service Business**

* Account classifications
* Fundamental accounting equation
* Use of the expanded accounting equation
* Basic financial statements
* Recording journal entries
* Posting to ledger accounts (t-accounts)
* Trial balance preparation
* Preparation of Formal Financial Statements and the Completion of the Accounting
* Accounting Cycle – Service Business
	+ Preparation of 10 column worksheet
	+ Preparation of Income Statement
	+ Preparation of Balance Sheet
	+ Preparation of Statement of Owner’s Equity
	+ Adjusting and closing entries
	+ Post-closing trial balance

**Unit 2:**

**Banking, Petty Cash, and Payroll Systems**

* Bank statement reconciliation
* Accounting treatment of banking adjustments
* Operation of petty cash systems
* Accounting for employee earnings
* Completion of payroll register

**Unit 3:**

**Preparations of Formal Financial Statements and the Completion of the**

**Accounting Cycle – Merchandise Business**

* Special Journals - Purchases
	+ Purchases
	+ Cash Payments
	+ General
	+ Accounts Payable
* Special Journals - Sales
	+ Sales
	+ Cash Receipts
	+ General
	+ Accounts Receivable
* Determining costs of goods sold and gross profit
* Adjusting entries
* Preparation of Income Statements
* Preparation of Balance Sheet
* Preparation of Statement of Owner’s Equity
* Closing entries
* Post-closing trial balance
* Introduction to comparative financial statements

**Tests and Assessments**

* Baseline
* Unit exams and comprehensive projects
* Final Exam

**Unit:** The Accounting Cycle

**Topic:** The 9 steps of the Accounting Cycle

**Grade Level and Course:** 11th-12th grade (College Accounting)

**Content Goals (Standards):**

* Integrated learning encourages students to use essential academic concepts, facts, and procedures in applications related to life skills and the world of work. This approach allows students to see the usefulness of the concepts that they are being asked to learn and to understand their potential application in the world of work.

**Learning Goals (Specific to the Unit):**

Chapter 3:

* List and define each part of the accounting equation
* Understanding the effects of business transactions on the accounting equation
* Checking the balance of the accounting equation after a business transaction has been analyzed and recorded

Chapter 4:

* Understanding the chart of accounts is a list of all the accounts in a business and its purpose in a business
* Using T-accounts to help analyze the parts of a business transaction
* The importance and purpose of the Double-entry accounting system
* The role of Debit and credits in the Double-entry accounting system
* The steps used to analyze a business transaction
* Determining the balance of an account

Chapter 5:

* Understanding the accounts used by a business can be separated into permanent and temporary accounts and the corresponding accounting treatment for each.
* Understanding Debit and credit rules used to record changes in accounts in the Double-entry accounting system

Chapter 6:

* An understanding of the initial steps of the accounting cycle and the analysis required to record business transactions formally.
* The purpose of recording business transactions in a journal and the corresponding steps to do so.
* The procedure used to correct general journal errors

Chapter 7:

* The steps in the posting process and how to post general journal entries
* Preparing a trial balance and correcting trial balance errors
* Record correcting entries in the general journal

Chapter 8:

* Preparing a six-column work sheet and its purpose.
* Calculating net income or net loss from the work sheet.

Chapter 9:

* Understanding the purpose of the financial statements (income statement, statement of changes in owner’s equity, and balance sheet)
* Preparing the financial statements
* Cash Flow Statement (quick overview)
* Ratio analysis (quick overview)

Chapter 10:

* Analyzing and journalizing closing entries
* Understanding the purpose of the Income Summary account
* Posting the closing entries to the general ledger
* Preparing a post-closing trial balance

Unit Plan (motivational activities, materials, group or independent activities):

|  |  |
| --- | --- |
| What do you want students to **understand** by the end of the unit?***Students will understand that…**** Accounts are used to analyze business transactions
* A business transaction is an economic event that causes a change in assets, liabilities, or owner’s equity (accounting equation)
* T-accounts are used to analyze transactions that affect assets, liabilities, and the owner’s capital account
* Double-entry accounting is a system that recognizes the different sides of business transactions as debits and credits.
* Temporary accounts are used to record specific revenue and expenses information that takes place in an accounting period.
* Permanent accounts carry balances forward from one period to the next while temporary accounts close out after one accounting period and then start each new period with a zero balance
* Source documents contain information needed for journalizing and initiate the activities in the accounting cycle
* The accounting cycle is a series of steps done in each accounting period to keep records in an orderly fashion
* Businesses use journals to keep records of transactions in the order they occur
* The general ledger is a permanent record organized by account number
* Posting is the process of transferring information from the journal to individual accounts in the ledger
* Posting is an essential step because it organizes business transaction details into the proper accounts and provides a brief summary as opposed to being itemized in the general journal
* The trial balance is proof that total debits equal total credits in the ledger
* There are different ways to correct errors based on the type of error that was made and where the error is found
* The work sheet organizes general ledger account information for the financial statements and is needed to complete the end-of-period activities
* Net Income or Loss is the result of the matching principle requiring expenses incurred during an accounting period to be matched with the revenues earned in the same period
* The income statement reports the net income or net loss for an accounting period
* The statement of changes in owner’s equity shows how the owner’s financial interest changed during the accounting period.
* The balance sheet reports the financial position at a specific point in time.
* The statement of cash flows reports the sources and uses of cash during the accounting period.
* Owners, managers, and other interested parties use ratio analysis to identify trends that the business is experiencing
* Ratio analysis evaluates the relationship between various financial statement amounts
* Closing entries transfer the temporary account balances to the owner’s capital account
* The relationship between the Income Summary and owner’s capital account
* After the closing entries are posted, a post-closing trial balance is prepared to verify that debits equal credits
* The posting procedure for closing entries are different from the posting procedures for other general journal entries
 | What **essential questions** do you want students to answer throughout the unit?***Essential Questions….**** What is the accounting equation?
* Why does the accounting equation show liabilities before owner’s equity?
* What is a business transaction?
* What information is contained in an account?
* How many accounts must be affected by each business transaction? Why?
* Does a transaction always change both sides of the accounting equation?
* What is meant by the term normal balance?
* Why are temporary accounts used?
* What is the difference between a temporary account and a permanent account?
* Why should you test for the equality of debits and credits?
* Why is a journal sometimes called the book of original entry?
* What is the purpose of recording transactions in a general journal?
* Where do you get the information needed to make a journal entry?
* How do you determine the debit and credit parts of a journal entry?
* What types of information are included in each general journal entry?
* In what order do you need to record information when journalizing?
* What are the consequences of journalizing an incorrect amount or an incorrect account category?
* What procedure is used to correct a general journal entry error in a manual system?
* How can you tell if an amount was posted from a journal?
* Why is posting necessary since the transaction is recorded in the general journal?
* If the journal is the book of original entry, then what is the book of final entry?
* When posting the debit part of the journal entry, what is the last thing to do before moving on to the credit part of the journal entry?
* What is the purpose of the notation in the Post. Ref column of the general journal?
* Why must total debits equal total credits?
* Why is a trial balance prepared?
* What might happen in the process of preparing the trial balance to cause an error?
* What do errors discovered after posting require?
* Why would it be difficult to use ledger accounts to prepare financial reports?
* What is the order of accounts on the work sheet by classification?
* What is the difference in entering net income and net loss on the work sheet?
* Why are all accounts, including those with zero balances, listed on the work sheet?
* In what way do you think a balance sheet relates to the accounting equation?
* What are the primary financial statements for a sole proprietorship?
* What are other names for the income statement?
* What period other than a month does the income statement cover?
* What decisions would an owner make based on the changes in owner’s equity for a period?
* Why is the owner concerned about whether owner’s equity increased or decreased?
* What are the sources of information used to prepare the statement of changes in owner’s equity?
* Where can you find the owner’s capital balance at the beginning of a period?
* What elements cause increases/decreases to the capital account?
* What types of trends would ratio analysis identify?
* What do you think closing entries do?
* What do you think is the purpose of preparing a post-closing trial balance?
* Why is it important to transfer the temporary account balances to the permanent owner’s capital account?
* Why are revenue, expense, and owner’s withdrawals accounts temporary accounts?
* Why do accountants use a compound entry in the journal?
* Which temporary capital account is closed to the permanent capital account?
* Why doesn’t the Income Summary account have a normal balance?
* What is the debit side of the Income Summary account used for?
* What is the credit side of the Income Summary account used for?
* Why do you think closing entries in the general ledger need to have a special description added?
* Why should you prepare a post-closing trial balance?
* What are some possible errors that could have occurred if the debits did not equal the credits?
* Which ledger accounts do not appear on the post-closing trial balance?
* Is the post-closing trial balance dated for a point in time or for a period of time? Why?
* After all closing entries have been posted, what are the balances of the temporary capital accounts?
 |
| What should students **know** by the end of the unit?***Students will know….**** How business transactions affect the accounting equation
* The accounting equation must remain in balance after every transaction
* How assets, liabilities, and OE accounts change after a business transaction.
* How to use debits and credits to analyze and reflect changes in an accounting system
* The purpose of journalizing and how to make general journal entries
* Each step of the accounting cycle
* How to set up the general ledger
* The purpose of posting is to show the impact of business transactions on individual accounts and how postings are made to general ledger accounts
* The steps required to post general journal entries
* The purpose of the trial balance is to prove the ledger (ensuring all debit and credit balances equal in the accounting system)
* How managers use journals and ledgers
* If total debits and credits do not equal, the accountant must locate and correct the errors
* The trial balance errors that are the most common are addition and subtraction errors, transpositions, slides, omissions, incorrect debiting or crediting
* The purpose of the work sheet and the five sections that comprise this report(Heading, Account name, Trial Balance, Income Statement, Balance Sheet)
* How to correctly “rule” the work sheet and enter totals
* How to calculate net income or net loss
* The effect net income or net loss has on owner’s equity
* The four financial statements prepared for a business and their purpose
* The income statement reports revenue earned and the expenses incurred for a specific period of time.
* The statement of changes in owner’s equity summarizes the impact that the period’s business transactions had on the capital account
* The balance sheet reports the balances in the permanent accounts at the end of a period and states the financial position of a business on a specific date
* The statement of cash flows reports how much cash the business took in and paid out during the period and why the cash in bank account increased or decreased.
* How to perform ratio analysis
* Journalizing and posting closing entries and preparing a post-closing trial balance are the last two steps in the accounting cycle
* The purpose of closing entries
* Which accounts are considered temporary accounts and why they are closed at the end of the fiscal year
* The Income Summary account is used to accumulate the revenues and expenses for an accounting period and to summarize the revenues and expenses for an accounting period
* The Income Summary account does not have a normal balance
* The Income Summary account balance is zero before and after the closing process
* The Income Summary account does not appear on any financial statements
* The asset ,liability, and owner’s capital accounts are never closed
* Income Summary is a temporary owner’s equity account used to record net income or net loss
* The source of information for the closing entries
* The steps for journalizing the closing entries
* The post-closing trial balance has balances of only permanent accounts
* A compound entry is a journal entry that has two or more debits or credits
 | What should students be able to **do** by the end of the lesson?***Students will be able to…**** Determine how the accounting equation is affected in every business transaction
* Describe several examples of source documents
* Apply information from source documents in recording business transactions
* Make general journal entries in the general journal
* Correct errors in general journal entries
* Post journal entries to the general ledger accounts and make corresponding references.
* Compute account balances
* Prepare a Trial Balance
* Locate and correct trial balance errors
* Create a work sheet based on general ledger balances.
* Prepare the financial statements
* Analyze, journalize and post closing entries
* Prepare a post-closing trial balance
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What are some **misunderstandings** will students bring to the class as it applies to the goals of the unit?

Chapter 3:

* Misclassifying the accounts affected in a transaction
* Keeping the accounting equation in balance with each transaction

Chapter 4:

* Applying rules of debit and credit

Chapter 5:

* Understanding revenue must be recognized when earned (such as when a sale is made), not when cash is received (Revenue Recognition Principle)

Chapter 6:

* Interpreting source documents and classifying the accounts affected based on these documents.

Chapter 7:

* The post reference column is used to track if individual journal entries were posted and should not be written until posting is completed
* How to show a zero balance in a ledger account
* An error can never be erased. Instead it must be corrected with a correcting entry

Chapter 8:

* How to record net income and let loss on the work sheet
* Following the steps to fill out a work sheet and extending balances to the proper sections with appropriate ruling and totals

Chapter 9:

* Understanding the purpose of each financial statement and preparing financial statements in the appropriate order so they feed into each other with information
* How the date in the heading differs from other financial statements

Chapter 10:

* The purpose of the income summary and the steps in closing the temporary accounts to it
* Why the income summary account doesn’t have a normal balance

**Unit Projects and Assessments**

**College Accounting**

**Midterm Project**

Kelly Perno, the owner of Math Rocks, began business operations on May 1 of this year. During the month of May, the business completed the transactions that follow. Record all the transactions in the General Journal.

**Organization**: Math Rocks is organized as a sole proprietorship. The business is fully owned and operated by Kelly Perno.

**Your Job Responsibilities**: As Math Rock’s accounting clerk, use the accounting stationery in your working papers for these tasks.

 (1) Open a general ledger account for each account in the chart of accounts.

 (2) Analyze each business transaction.

 (3) Enter each business transaction in the general journal, page 1.

 (4) Post each journal entry to the appropriate accounts in the general ledger.

 (5) Prove the general ledger by preparing a trial balance.

|  |
| --- |
| **Chart of Accounts****Math Rocks Tutoring Service****Assets** **Owner’s Equity**1. Cash in Bank 301 Kelly Perno, Capital

105 Accts. Rec-Calhoun High School 305 Kelly Perno, Withdrawals110 Accts. Rec-Phil Dunphey Enterprises115 Accts. Rec-Chandler Bing Co.130 Office Supplies **Revenue**135 Office Equipment 401 Tutoring Service Fees140 Office Furniture145 Math Textbooks**Liabilities Expenses** 1. Accts. Pay-Student Book Store 505 Membership Expense

210 Accts. Pay-Office Systems 506 Telecommunications Expense1. Accts. Pay-Service Plus Software Inc. 507 Rent Expense

508 Utilities Expense |

|  |  |
| --- | --- |
| **Date** | **Transactions** |
| May 1 2 2 3 7 9 11 12 14 15 17 18 19 20 21 22 22 25 26 27 30 30 30 | Kelly Perno invested $50,000 in the business, Memorandum 1.The owner, Kelly Perno, invested a desktop computer and laptop (Office Equipment) $3,500, Memorandum 2.Issued Check 101 for $125 for the purchase of office supplies.Bought office furniture for $2,700 on account from Office Systems, Invoice 457.Bought math textbooks from the Student Book Store on account for $35,000, Invoice PSU814108.Received $1,000 from Molloy College for tutoring review services, Receipt 101.Completed tutoring review services for Calhoun High School to be paid later, Invoice 101, $3,000.Bought software for math programming associated with the (textbooks) on account from Service Plus Software Inc., Invoice 678, $10,000.Wrote Check 102 for $118 to pay the electric bill.Kelly Perno withdrew $2,500 for personal expenses, Check 103.Completed tutoring services on account for Chandler Bing Co., Invoice 102, $5,000.Bought a filing cabinet (Office Furniture) for $275, Check 104.Received a check for $4,000 as payment for tutoring service fees for one year to a client,Receipt 102.Provided tutoring services on account to Phil Dunphey Enterprises, Invoice 103 for $2,000.Prepared Receipt 103, $2,500, received on account, Chandler Bing Co.Paid $4,900 for telecommunication services for the period May 1-May 31, Check 105.Wrote Check 106 for $3,333 to Service Plus Software Inc. as payment on account.Sent Check 107 for $2,000 to Office Systems as payment on account.Received $1,000 for two months of tutoring services, Receipt 104.Paid the dues for membership in the All Inclusive Group for $7,000, Check 108.Wrote check 109 for the monthly rent $750.Withdrew $2,500 for personal expenses, Check 110.Sent Check 111 for $25,000 to the Student Book Store, as payment on account. |

**College Accounting**

**Case Study: Managing your Business**

**Overview:**

According to the Internal Revenue Service, 18.9 million sole proprietorship tax returns were filed in 2002. But being a sole proprietor often means not only doing the work that produces income, but it also means taking care of the bookkeeping, marketing, public relations, and office records of the business. Owners need to pay attention to expenses, plan cash flow, buy insurance, hire employees, and keep track of the competition.

How do sole proprietors take care of their businesses and serve their customers too?

• Judee Levinson, who started her own law practice, has learned to set aside one day per month just to send out bills and record her accounts receivable. She pays a referral service to handle some of her marketing efforts and she hands out business cards every chance she gets.

• Joseph Trammell, a refurbisher of furniture, markets his business by spending one day each week introducing him to local insurance agents who, in turn, may give him referrals.

• Tim Anfinson, a cabinetmaker, pays an outside accountant to handle his bookkeeping and relies on recommendations from customers and suppliers to maintain a steady stream of work.

Have you ever thought about operating your own business? What kind of business would it be? Would you hire an outside accountant to handle your bookkeeping? A solid understanding of accounting and financial recordkeeping can help you make an informed decision about who you trust with your financial welfare and ensure that your accounting records are maintained properly.

Have you ever imagined that you’d like to work for yourself and own your own business? Consider the following and type a response to the following questions:

• Would you need to hire other employees?

• Why would you like the idea of working for yourself?

• What disadvantages would there be?

• If you hire an outside accountant to do the bookkeeping, why would you still need

 to understand accounting concepts?

**Accounting Applications:**

**Instructions:** Now that you have reviewed the case study above, answer the following questions on your own.

1. You are the owner of a computer repair business and have hired a contract bookkeeper. At the end of the first month, you deliver your checkbook stubs, receipts, and invoices for the month to the individual. You provide the following list of accounts.

**Chart of Accounts (partial)**

**Assets**

Cash in Bank

Computer Equipment

Computer Repair Tools

Office Supplies

**Equity**

Owner’s Capital

Owner’s Withdrawals

**Revenue**

Sales

**Expenses**

Rent Expense

Utilities Expense

You ask for a copy of the general journal page after the transactions are journalized. What items would you look for in reviewing this page?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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2. An entry on October 2 uses ASSETS as the description for both the debit and credit, and the source document is recorded as Check 1445. What is your reaction to this entry?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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3. You know that Check 1445 was written to buy computer repair tools. The check was for $376. What is the journal entry to record this transaction? Use page 4 of the general journal.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Description** | **Post. Ref.** | **Debit** | **Credit** |
|  |  |  |  |  |

General Journal

4. You made a deposit on October 10 for a customer who paid cash for a box of diskettes,

$15, Receipt 98. What is the correct journal entry to record this transaction? Use page 5

of the general journal.

General Journal

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Description** | **Post. Ref.** | **Debit** | **Credit** |
|  |  |  |  |  |

5. Your rent is due on the 15th of every month. The bookkeeper should write Check 1446

for $700 to your building management company, FirstLine Properties. What journal entry

should be made for this transaction? Use page 6 of the general journal.

General Journal

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Description** | **Post. Ref.** | **Debit** | **Credit** |
|  |  |  |  |  |

6. You discover a receipt in your car for office supplies that you bought with your personal cash. It is Receipt 45926 from Office Depot for $19.57, dated October 21. You forgot to give it to the bookkeeper. You call to say you’ll fax it over. What entry should the bookkeeper make for the receipt? Use page 7 of the general journal.

General Journal

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Description** | **Post. Ref.** | **Debit** | **Credit** |
|  |  |  |  |  |

**College Accounting**

**Closing Entries Assignment**

The General Ledger for “Litwin and Katz Videos” shows the following at Dec 31, 2009:

There were no additional investments made by the owners.

101 Cash in Bank 12,000

105 Accts. Rec.-J. Cohen 3,000

110 Accts. Rec.-L. Cascio 900

113 Accts. Rec.-G. Lessig 1,800

115 Accts. Rec.-Bellmore-Merrick School District 1,500

130 Office Equipment 5,000

135 Office Furniture 8,000

140 Computer Equipment 10,000

145 Video Tapes 20,000

150 Video Equipment 9,000

201 Accts. Payable-Sunrise Street Office Supply 400

205 Accts. Pay-Computer Horizons 15,500

207 Accts. Pay-New Media Suppliers 3,000

209 Accts. Pay-Palace Films 14,000

301 Litwin & Katz, Capital 33,775

305 Litwin & Katz, Withdrawals 4,000

310 Income Summary -----

401 Video Rental Revenue 9,600

405 VCR Rental Revenue 3,500

501 Advertising Expense 1,600

505 Equipment Repair Expense 1,200

510 Maintenance Expense 400

520 Rent Expense 1,000

530 Utilities Expense 375

1) Prepare the six-column worksheet. The period covered is one month.

2) Prepare the financial statements. Litwin and Katz made no additional investment

 during the month.

3) Record closing entries in the journal (word document)

4) Post the closing entries.

5) Prepare a post-closing Trial Balance.

**Unit**: Cash Control and Banking Activities

**Topic**: Checking related activities

**Grade Level and Course**: Grades 11 and 12 (College Accounting)

**Content Goals (Standards):**

* Career Development- Students will be knowledgeable about the world of work, explore career options, and relate personal skills, aptitudes, and abilities to future career decisions.
* Integrated Learning- Students will demonstrate how academic knowledge and skills are applied in the workplace and other settings.
* Universal Foundation Skills -Students will demonstrate mastery of the foundation skills and competencies essential for success in the workplace.
* Career Majors- Students who choose a career major will acquire the career-specific technical knowledge/skills necessary to progress toward gainful employment, career advancement, and success in postsecondary

**Learning goals (specific to the unit)**

* The parts of a check
* The routing process of a check
* Recording cash activities on the check stub
* Reconciling a bank statement
* Different types of endorsements

**Unit Plan:**

Instruction Includes:

* The main parts of a check and the proper way of writing a check
	+ Use the acronym DAMPER to remember date, amount, maker, payee, endorsement, routing number
	+ Define each part, using an oversized check
* The routing of a check
	+ Using the activity described below, demonstrate the routing of a check
	+ Explain the result of not having enough in the account to cover the check (NSF – not sufficient fund)
* Recording all cash activities on the check stub
	+ Complete the check stub first
	+ Record all required information on the stub: payee, amount, purpose
	+ Determine new balance
	+ Record any deposits on the next available check stub
	+ Add deposit amount to subtotal
	+ Carry forward ending balance to the next check stub
* How to reconcile a bank statement
	+ Compare information on check stubs to information on bank statement
	+ Record any information on bank statement that does not appear on the check stub onto the check stub
	+ Record these transactions as a journal entry and post to the ledger
	+ Complete the reconciliation form.
	+ Instruct students to follow steps on the form
	+ Compare adjusted statement balance to balance on last check stub
	+ Refer students to the cash in bank ledger; balance should equal
* Types of endorsements
	+ Blank endorsement – just a signature of payee. This is risky as this may be assigned to another person
	+ Special endorsement – payee endorses and assigns check to a third party. Bank does not like these checks – routing process takes longer
	+ Restrictive endorsement – describes what must be done with the check (i.e. For Deposit Only)

|  |  |
| --- | --- |
| **What do you want students to understand by the end of the unit?*** The purpose of forms needed to open an account
* Key elements of proper check writing
* How to fill out a deposit slip
* How to reconcile a bank statement
* The importance of making sure the bank statement and cash ledger balance
 | **What essential questions do you want students to answer throughout the unit?*** Why is it important to keep accurate records of cash flow?
* What are the measures and procedures to protect cash within and outside a business called?
* Why should you complete the check stub before writing a check?
* Why does a bank prefer not to cash a check with a special endorsement?
* How does a bank protect itself from a not sufficient fund check?
 |
| **What students should know by the end of the unit?*** Account forms are necessary for proper identification and fraud prevention
* There are several elements to a check that make it a legal negotiable instruments
* The advantages to using a check
* Why certain transactions may not appear on a bank statement that are on the check stub
* Why certain transactions may not appear on the check stub that are on the bank statement
* The balance in the checkbook is equal to (reflects) the cash in bank ledger
* The routing process of a check
 | **What should students be able to do by the end of the lesson?*** Write a check properly
* Complete a check stub
* Fill out a deposit slip properly
* Reconcile a bank statement
* Record/journalize the reconciliation
 |

**What are some misunderstandings that students will bring to the class as it applies to the goals of the unit?**

* A bank will not cash a check for person that does not have an account
* People have different needs/requirements in a bank and the services it provides
* The balance on a bank statement will not match the balance in your check stub at the end of the next month.

**Assessments:**

* Complete Check Your Understanding and define key terms
* Complete Problems 11-3, 11-4, 11-5, 11-6, and 11,7
* Chapter test

**Common Core Activities:**

*Routing of a check*: Create signs of each step involved in the routing of a check (i.e. maker, payee, payee's bank, maker's bank.) as well as a giant check. Ask a student to follow the route of the check. Begin by having the maker deliver the check to the payee. Have the payee deliver the check to the payee's bank. The payee's bank carries the check to the maker's bank. The maker's bank returns the check to the maker. Then simulate a scenario in which the check "bounces". The check takes the reverse route.

*Checking Account Shopping*: Students are asked to go comparison shopping for checking accounts. They are to research key terms/features. Students should "shop" for a checking account from the perspective of three different types of customers:

1. Student about to enter college

2. A local business owner

3. A retired person

Student must explain which features would be important to each of these customers, compare two banks and explain which bank they feel would be best for each customer.

**Unit:** Payroll Accounting

**Topic**: Computing gross and net pay, completing a payroll register and employee earnings record

**Grade Level and Course**: Grades 11 and 12 (College Accounting)

**Content Goals (Standards):**

* Career Development- Students will be knowledgeable about the world of work, explore career options, and relate personal skills, aptitudes, and abilities to future career decisions.
* Integrated Learning- Students will demonstrate how academic knowledge and skills are applied in the workplace and other settings.
* Universal Foundation Skills -Students will demonstrate mastery of the foundation skills and competencies essential for success in the workplace.
* Career Majors- Students who choose a career major will acquire the career-specific technical knowledge/skills necessary to progress toward gainful employment, career advancement, and success in postsecondary

**Learning goals (specific to the unit)**

* Different methods of paying salaries
* How to calculate methods of payment
* Concept of deductions, both mandatory and non-mandatory
* Completing a payroll register
* Completing an employee earnings record

**Unit Plan**

Instruction includes:

* Computation of gross pay based on different methods of earing pay (i.e. hourly, salary, commission, etc.
	+ Review various types jobs held
	+ Discuss different methods of earning pay: salary, commission, hourly, overtime, by the job
	+ Students should attempt to match method of pay to the job using the Quizlet online activity
	+ Discuss the benefits of each method of payment
	+ Lead students to understand that the same job can earn pay in different ways
* Calculation of mandatory deductions
	+ Discuss the purpose of taxes – what are they used for?
	+ Explain that the employer is required by law to deduct certain taxes from an employees paycheck for purpose of ease of collection by agencies
	+ List those taxes: Social Security, Medicare, Federal Income Tax and State Income Tax
	+ Define Social Security and Medicare (FICA)
	+ Explain that there are other deductions that an employer may take for the same reason. Examples are: health insurance, union dues, etc.
	+ Review calculation of taxes:
		- Social Security and Medicare and State income tax are a percentage of gross pay
		- Federal income tax requires three types of information: marital status, allowances and weekly gross pay. Demonstrate calculation using tax chart.
	+ All of this information is recorded on the payroll register (source document)
* Completing a payroll register and pay stub
	+ Explain that the same information is recorded on each employee’s individual paystub (attached to their paycheck).
	+ Explain that the payroll register includes this information for all employees for one pay period
* Completing an employee earnings record
	+ Display an employee earnings record
	+ Explain that each employee has their own
	+ Explain that it lists an accumulation of each pay period’s information

|  |  |
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| **What do you want students to understand by the end of the unit?*** The different methods of calculating earnings
* Calculating gross pay, computing withholdings and determining net pay
* Why it is essential for an employer to take the deductions
* What is an allowance
* The importance of keeping records accurately
 | **What essential questions do you want students to answer throughout the unit?*** What happens to the rest of the money once the deductions are calculated?
* What is the classification of the account in which the deducted taxes will be recorded?
* Why do companies pay by different methods?
* Why would a company pay overtime?
* Is having a minimum wage fair?
* What are the ethical implications of accurate time-keeping?
* What are the ethical implications of recording the deductions accurately?
 |
| **What should students know by the end of the unit?*** The difference between hourly rate, overtime, salary, commissions, unit pay
* The types of jobs that pay by each of the above
* Which taxes are deducted, which are mandatory deductions and what the taxes are used for
* Employer records and sets aside the taxes, to be paid at a later date
 | **What should students be able to do by the end of this unit?*** Calculate payroll, deductions and net pay
* Use a federal tax chart
* Prepare a payroll register
* Prepare an employee earnings record
 |

**What are some misunderstandings that students will bring to the class as it applies to the goals of the unit?**

* Accumulated earnings reflects accumulated *gross pay* not net pay
* Taxes are always calculated based on *gross pay* not net pay
* Adjustments from the bank statement to the check stub must be journalized.

**Assessments:**

* Completing Check Your Understanding questions and define key terms
* Key terms quiz
* Completing problems 12-5, 12-6, 12-7, and 12-8
* Chapter test

**Common Core Activities:**

*Matching game activity*: Match the job to the method of payment using Quizlet online game

*Written response*: “*Where’s my money?”*: Provide students with a simulated letter from an employee who does not understand why his paycheck is for an amount that is so much less than his/her gross earnings. Ask them to write a detailed explanatory response using proper business format.

*Career research*: Provide students with three sample skeleton monthly budgets (high, medium and low). Students should research potential job earnings on www.bls.gov, calculate net pay and determine if they can afford the expenses provided in the "budget".

**Unit**: Payroll Liabilities and Tax Records

**Topic**: Journalizing and Posting the Payroll and Payroll Taxes

**Grade Level and Course**: Grades 11 and 12 (College Accounting)

**Content Goals (Standards):**

* Career Development- Students will be knowledgeable about the world of work, explore career options, and relate personal skills, aptitudes, and abilities to future career decisions.
* Integrated Learning- Students will demonstrate how academic knowledge and skills are applied in the workplace and other settings.
* Universal Foundation Skills -Students will demonstrate mastery of the foundation skills and competencies essential for success in the workplace.
* Career Majors- Students who choose a career major will acquire the career-specific technical knowledge/skills necessary to progress toward gainful employment, career advancement, and success in postsecondary.

**Learning goals (specific to the unit)**

* Journalize the payroll
* Journalize the payroll taxes
* Posting payroll and payroll taxes to the ledger
* Journalize the payment of the payroll liabilities
* Posting the payment of the payroll liabilities to the ledger

**Unit Plan:**

Instruction includes:

* Journalize the payroll
	+ Explain that the information on the payroll register must now be journalized
	+ Lead students to conclude that the payroll is an expense; a cost of doing business
	+ The account used is Salaries Expense for the entire amount (Gross Pay) and should be debited (normal balance for an expense)
	+ The credits should be the breakdown of clarifying how the gross pay is distributed
	+ Explain that each of the taxes withheld from the gross pay must be placed into its own payable account to be paid the next month (credit to each payable)
	+ The balance is distributed to the employee in the form of a check (credit to Cash In Bank)
	+ The source document is the payroll register
* Journalize the payroll taxes
	+ Explain that the employer must pay taxes *in addition to* the payroll. These taxes are calculated based on the payroll amount.
	+ Define the taxes:
		- Social Security – matches what the employee paid
		- Medicare – matches what the employee paid
		- Federal Unemployment Tax (FUTA) - given percentage of the payroll
		- State Unemployment Tax (SUTA) - given percentage of the payroll
	+ The Payroll Tax Expense is the total of these for taxes
	+ Debit Payroll Tax Expense; Credit each individual tax payable
	+ Source document is the payroll register
* Post payroll and payroll taxes to the ledger
	+ Each line in the journal should be posted to the ledger
* Journalize the payment of the payroll liabilities
	+ Explain that once posted, the payroll liabilities need to be paid to the appropriate agencies.
	+ The balance of each individual liability must be debited (to reflect a reduction of the account); and Cash In Bank must be credited.
	+ There is one exception for the liabilities that must be sent to the federal government:
		- Social Security tax, Medicare tax and Federal Income tax must be sent in one check. Each of these taxes should be debited with the total being a credit to Cash In Bank. This is a compound entry.
* Post the payment of the payroll liabilities to the ledger
	+ Each of these ledgers should now reflect a zero balance.

|  |  |
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| **What do you want students to understand by the end of the unit?*** The law requires that employers deduct certain taxes from their gross pay
* The law requires employers to pay those taxes on their behalf.
* The employer must also pay taxes based on the payroll.
* The employer matches the employee Social Security and Medicare contributions
* The employer may also deduct non-mandatory items such as insurance dues and union dues.
 | **What essential questions do you want students to answer throughout the unit?*** Why is it more efficient for the employer to deduct and pay the payroll taxes rather than each individual employee?
* Why is the net pay equivalent to the credit to Cash In Bank?
* Why are there double the amount of entries for Social Security Tax and Medicare tax than the other taxes?
* What is the purpose of the Unemployment taxes?
 |
| **What students should know by the end of the unit*** Which taxes must be deducted by law from each employee's paycheck
* Why it is required by law for employers to deduct such taxes
* How to calculate such taxes.
* There is a limit to the amount that can be deducted for Social Security annually
* The difference between Salaries Expense and Payroll Tax Expense
* The difference between a W2 and a W4.
 | **What should students be able to do by the end of the lesson?*** How to journalize and post the payroll,
* How to calculate the payroll taxes and payment of the payroll taxes.
* Determine the amount to be paid to the appropriate agencies
* Journalize and post the payment of the taxes
 |

**What are some misunderstandings that students will bring to the class as it applies to the goals of the unit?**

* Amounts deducted are not the final amounts of taxes actually due by the employee. Tax returns must be completed and they may be a refund or payment due.
* The balance in the tax accounts is the amount to be paid.
* These accounts are not being closed out.
* The employee cannot pay the taxes himself.

**Assessments:**

* Complete Check Your Understanding and define Key Terms
* Complete Problems13-6, 13-7, 13-8, 13-9 and 13-10
* Chapter test

**Common Core Activities:**

*Fill and mail the envelope:* Students are put in groups of four and are given a payroll register of eight employees, monopoly money and "pre-addressed" envelopes to each of the appropriate agencies (Social Security, Medicare, FIT, FUTA, etc.) Each student must fill the envelope with the amount of money that should be sent to the appropriate agency for their particular employees. Students should now count the money in the envelopes and record/journalize the payment of these taxes. Students should take note that there is double the amount in the Social Security and Medicare envelopes. This is the amount that needs to be paid and matches the balances in their ledgers. The team that has the correct amounts in the envelops get an two extra credit points.

*Research:* Students should research what each of the taxes are used for (i.e. Federal and state parks, roads, agencies, schools, etc.). In addition, they should research FICA and determine why it exists, when Social Security and Medicare can be collected, etc. Their findings should be submitted in report form.

**Unit Projects & Assessments**

PAYROLL PROJECT

“Where did all my money go?”



You are the payroll manager for Damato Fine Foods and you have just received a letter from a brand new employee. In the letter, the employee expresses confusion over the amount of his paycheck. He explains that the amount he believes he should have received is significantly more than the actual amount of the check based on the number of hours he worked and his hourly rate.

In a detailed letter in ***proper business letter block format***, you are to respond to the employee. Your letter should include the following information:

1. The reason for the difference (gross pay vs. net pay)
2. Explain what each tax is for (what the money is used for)
3. Why the employer must deduct it
4. What the employer does with the money
5. How their net pay is calculated

Please be specific and detailed in your letter and above all, polite!



**Checking Research Project**

**College Accounting**

The purpose of this project is for you to evaluate the different types of checking accounts and to understand the features and reasons for the variety of accounts.

**I**. **Assume** **you are a college bound student** and shopping for a checking account. You will need to evaluate the different types of checking accounts for any two banks. *Suggested* banks:

* 1. Chase at [www.chase.com](http://www.chase.com)
	2. TD Bank at [www.tdbank.com](http://www.tdbank.com)
	3. Citibank at [www.citibank.com](http://www.citibank.com)
1. **Explain *in detail* 5 different features of a checking account that would be important to you when shopping for a bank**. Each should have a well-thought out explanation and may be written in bullet form.

\*\*Some features to consider (there are many more):

* Minimum balance
* Interest rates
* All bank service charges
* Locations
* Navigation of website
* Company slogan
1. ***In chart form*, compare/contrast these five features between the banks.** Provide any additional information/explanation if necessary.
2. **Choose the best checking account from one of the banks.**

Briefly describe why you selected one bank over the other.

This should be two to three sentences.

**II.** **Now repeat the process as if you are local business owner**.

**III. Repeat the process one more time as if you are a retired individual over the age .**

 **of 65.**

**RUBRIC**

|  |
| --- |
| **Student Name(s):** |
| **Criteria** | **Excellent****5** | **Good****4** | **Fair****3** | **Poor****2** | **Unsatisfactory****1** |
| 1. **INCLUDES FIVE FEATURES**
 |  |  |  |  |  |
| 1. **SHOWS UNDERSTANDING OF TERMS/FEATURES**
 |  |  |  |  |  |
| 1. **THOROUGHLY ANALYZED BOTH BANKS AND COMPARED FEATURES**
 |  |  |  |  |  |
| 1. **CHOICES ARE LOGICAL**
 |  |  |  |  |  |
| 1. **SPELLING/QUALITY OF WRITING/**

 **GRAMATICALLY CORRECT** |  |  |  |  |  |

**Unit**: Accounting for a Merchandise Business

**Topic**: Contra Sales Accounts and AR Subsidiary Ledger

**Grade Level and Course**: 11th and 12th (College Accounting)

**Content Goals (Standards):**

* Career Development- Students will be knowledgeable about the world of work, explore career options, and relate personal skills, aptitudes, and abilities to future career decisions.
* Integrated Learning- Students will demonstrate how academic knowledge and skills are applied in the workplace and other settings.
* Universal Foundation Skills -Students will demonstrate mastery of the foundation skills and competencies essential for success in the workplace.
* Career Majors- Students who choose a career major will acquire the career-specific technical knowledge/skills necessary to progress toward gainful employment, career advancement, and success in postsecondary

**Learning Goals (Specific to the Unit):**

* Understand the difference between a service business and a merchandising business
* Applying accounting methodology in the analysis of sales transactions within a merchandising firm
* Understand the difference between a retailer and a wholesaler
* Analyzing the effects of Contra-Sales activities in a merchandising firm
* Record ‘on account’ transactions for sales activities of a merchandising firm in their respective subsidiary ledgers.

**Unit Plan (motivational activities, materials, group or independent activities):**

Lecture should include the following questions:

* When a business buys goods from a wholesaler for the purpose of resale, how would the owner classify the goods being purchased? When a business makes a sale it usually has to pay a sales tax. How is this tax classified on the general journal when the sale was made on account?
* Ask students to list the Assets that appear on a Balance Sheet.
* Who owes us the money on the GL accounts receivable account?
* Can we organize it to show more detail
* What detail would you need to see?
* How are the accounts receivable ledger account organized?
* How is the data in a subsidiary ledger organized?
* How do you know if a company has a subsidiary ledger?
1. How are returns recorded on a general ledger when a customer is dissatisfied with their purchase?
2. How would merchants record cash discounts given to customers at the time of sale?

|  |  |
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| What do you want students to **understand** by the end of the unit?***Students will understand that…**** Accounting for merchandise firms is more complex than accounting for a service business.
* Contra sales accounts are used when customers return items they previously purchased or when customers submit early payment at a discounted retail price.
* Sales tax must be collected by a merchandising firm from their customer’s and paid at a later date*.*
 | What **essential questions** do you want students to answer throughout the unit?***Essential Questions….**** When a business makes a sale it usually has to pay a sales tax. How is this tax classified on the general journal when the sale was made on account?
* How are the accounts receivable ledger account organized?
* How do you know if a company has a subsidiary ledger?
* How are returns recorded on a general ledger when a customer is dissatisfied with their purchase?
* How would merchants record cash discounts given to customers at the time of sale?
 |
| What should students **know** by the end of the unit?***Students will know….**** Sales accounts have a normal credit balance, meaning the balance in a sales account is increased with a credit.
* Return of defective merchandise is recorded in the contra sales account “Sales returns and allowances”
* Cash discounts for early payment for purchases made on account are recorded in the sales discounts account.
* Contra sales accounts have a normal debit balance.
 | What should students be able to **do** by the end of the lesson?***Students will be able to…**** Record in the General Journal all sales transactions.
* Record sales tax payable transactions on a general journal and post to the General Ledger.
* Record contra sales transactions when discounts and returns of merchandise have occurred.
 |

What are some **misunderstandings** will students bring to the class as it applies to the goals of the unit?

* Students are unaware that accounting is used by management to make daily business decisions.
* Students are unaware of the amount of detail management requires to successfully run a merchandising business.
* Accounting helps track the efficiency of a merchandising business, by analyzing the Contra Sales accounts, including sales returns and allowances and sales discounts, with the Sales account to determine a business’s ability to collect receivables as well as the quality of the merchandise they sell.

**Common Core Activity:**

Many companies take part in complex transactions in the course of daily business. Guide students through the Management Discussion and Analysis section of a corporate annual report (any financial services company is a good example). Have students research how other companies handle similar situations. Have students present their finding (oral presentation, posters, electronic presentation) to the class. This may be completed as a cooperative group activity or independent practice.

**Unit**: Accounting for Purchases and Cash Payments

**Topic**: Analyzing transactions relating to the purchase of merchandise

**Grade Level and Course**: 11th and 12th Grades (College Accounting)

**Content Goals (Standards):**

* Career Development- Students will be knowledgeable about the world of work, explore career options, and relate personal skills, aptitudes, and abilities to future career decisions.
* Integrated Learning- Students will demonstrate how academic knowledge and skills are applied in the workplace and other settings.
* Universal Foundation Skills -Students will demonstrate mastery of the foundation skills and competencies essential for success in the workplace.
* Career Majors- Students who choose a career major will acquire the career-specific technical knowledge/skills necessary to progress toward gainful employment, career advancement, and success in postsecondary

**Learning Goals (Specific to the Unit):**

* Explain the procedures for processing a purchase” on account”.
* Analyze transactions relating to the purchase of merchandise
* Record purchase and cash payment transactions
* Format and post to the Accounts Payable Subsidiary Ledgers.

Unit Plan (motivational activities, materials, group or independent activities):

**How would a company record the purchase of goods for resale?**

* Purchases for resale are booked to the account ‘Purchases’
* Aka cost of goods sold; cost of merchandise
* Contains the actual cost to the business of the merchandise sold to customers
* Purchases account is increased by a debit and decreased by credits.

**What is the Accounts Payable Subsidiary Ledger?**

* Contains the accounts for each supplier/creditor you buy merchandise from.
* AP account on the Balance Sheet is the controlling account
* All sub-ledger accounts roll up to equal the control account balance.

**How do you record the purchase of merchandise on account?**

* DR Purchases account
* CR the Accounts Payable account

If you purchase supplies or computer equipment on account, you will not DR the purchases account, since it is not for resale.

**What happens if you receive the items from the supplier that you purchased on account and there was something wrong with them? How would you journalize the transaction?**

* If you return the entire purchase it is called a ‘Purchase Return’ and you would receive a full credit from the supplier.
* If you keep less than satisfactory merchandise and the supplier reduces the price of the goods this would be considered a ‘Purchase Allowance’.
* A debit memo is used to notify suppliers (creditors) of a return or a request for an allowance.
* Debit memos indicates that the creditors account will be debited, or decreased.

**Purchase Returns and Allowance is classified as a Contra Cost of Merchandise account**

* It reduces the balance of its related account
* Purchases is a DR account, therefore the normal balance of the Purchase Returns and allowance is a CR.

**How are cash transactions of insurance recorded for a business?**

* The cost of insurance protection is called a premium
* It is paid in advance at the beginning of the covered period.
* Insurance paid in advance is an asset until the insurance protection expires; it represents a benefit to the company.
* The insurance premium is recorded in the asset account, Prepaid Insurance.

**How do you record cash payments for purchases made on account?**

* If you take advantage of a cash discount for early payment, you book it to the purchase discount account.
* Purchase discounts is the contra Purchases (cost of merchandise sold) account.
* The balance reduces the amount of the Purchases account.
* Must be viewed together
* Normal balance must be a credit, since the Purchase account has a Credit normal balance.

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| What do you want students to **understand** by the end of the unit?***Students will understand that…***The purchasing process results in a large outflow of cash.The four stages of purchasing are:1. Requesting needed items
2. Ordering from a supplier
3. Verifying items received
4. Processing a suppliers invoice
* Purchasing merchandise are recorded in the Purchase Account and is also known as a Cost of Merchandise.
* Merchandise can be purchased on account as well as with cash.
* Credit terms allow for liabilities to be reduced with early payment of the A/P account with consideration to credit terms
* Purchases are returned for various reasons and should be classified/recorded in the Purchase Returns & Allowance Account.
* The Returns & Allowance Account is used by management to determine whether the supplier’s merchandise is of acceptable quality.
* Purchases of merchandise on account should be posted to the individual A/P Sub ledger Accounts*.*
 | What **essential questions** do you want students to answer throughout the unit?***Essential Questions….**** How would a company record the purchase of goods for resale?
* What is the Accounts Payable Subsidiary Ledger?
* How do you record the purchase of merchandise on account?
* What happens if you receive the items from the supplier that you purchased on account and there was something wrong with them? How would you journalize the transaction?
* How is the Purchase Returns and Allowance is classified?
* How are cash transactions of insurance recorded for a business?
* How do you record cash payments for purchases made on account?
 |
| What should students **know** by the end of the unit?***Students will know….**** How to process a purchase on account
* Which accounts are used when purchasing merchandise
* What controls over cash many merchandising businesses use
* What is the Cost of Merchandise
* How to process cash payments for purchases.
* What is the role of the Subsidiary Ledger?
 | What should students be able to **do** by the end of the lesson?***Students will be able to…**** Journalize Purchase transactions to the appropriate Purchase Account.
* Record credit terms for purchases on account
* Reduce liability account balances in A/P Control Account as well as in the individual sub-ledger accounts
* Journalize the return of purchases made on account by recording transactions in the Purchase Returns and Allowances Account
* Format and record transactions to the Sub-ledger accounts when utilizing purchase discounts and purchase returns and allowances
 |

What are some **misunderstandings** will students bring to the class as it applies to the goals of the unit?

* Merchandising firms use many different types of accounts than service type businesses.
* Accounting is not used extensively by management to determine quality of merchandise.
* Contra accounts are not important tools for management.

**Related Activities/Assessments**:

End of chapter problems and analysis with corresponding working papers

**Unit:** Using special journals instead of the general journal can save time and reduce errors

**Topic:** Utilizing the Sales and Cash Receipts Journal to record business transactions

**Grade Level and Course:** 11th & 12th grades (College Accounting)

**Content Goals (Standards):**

* Career Development- Students will be knowledgeable about the world of work, explore career options, and relate personal skills, aptitudes, and abilities to future career decisions.
* Integrated Learning- Students will demonstrate how academic knowledge and skills are applied in the workplace and other settings.
* Universal Foundation Skills -Students will demonstrate mastery of the foundation skills and competencies essential for success in the workplace.
* Career Majors- Students who choose a career major will acquire the career-specific technical knowledge/skills necessary to progress toward gainful employment, career advancement, and success in postsecondary

**Learning Goals (Specific to the Unit):**

* Identify special journals and explain how they are used in a merchandising business
* Record cash and sales transactions in the appropriate special journals.
* Post sales transactions from the special journals to the subsidiary ledgers.
* Correctly format, prove, foot, and rule the sales and cash receipts journals.

Unit Plan (motivational activities, materials, group or independent activities):

**When is the Cash Receipts Journal used?**

* Used to record All Cash receipts transactions.
* Always has a Cash in Bank Debit Column since every transaction in it debits the Cash in Bank account.
* The # of credit columns vary, depending upon the company’s needs.

**Columns include**:

* General Credit column to record credits to accounts for which there is no special column
* Sales credit column to record amount of merchandise purchased by customers using cash or bankcards.
* Sales tax payable credit to record the amount of sales tax collected on cash or bankcard sales
* AR Credit column to record payments from charge customers.
* Sales Discounts Debit column to record the amount of cash discounts taken by charge customers.
* Cash in Bank Debit Column to record the amount of cash actually received in the transaction
	+ To keep the customer account balances current, the entries in the AR Credit column are posted daily to the AR sub-ledger.
	+ Any transaction in the General Credit column must be posted to the individual GL accounts

**How do you record the receipt of cash from Charge Customers?**

* Enter the date of the transaction in the date column
* Enter the receipt number in the document number column. Write the letter “R” (for receipt) before the receipt number
* Enter the name of the customer in the Account Name column
* Enter the decrease in the amount owed by the customer in the AR Credit column.
* Enter the amount of cash received in the Cash in Bank Debit column.

When this entry has been posted to the customer’s account in the AR sub-ledger, enter a (check mark) in the Post Ref column in the cash receipts journal

**How do you record the receipt of cash on Account, Less a Cash Discount?**

* Enter the date of the receipt in the date column
* Enter the receipt # in the document # column
* Enter the name of the customer in the Account Name column
* In the AR Credit column, enter the amount of the original sales transaction (amount that was debited in the sales journal) less any related sales returns and allowances.
* Enter the cash discount amount in the Sales Discount Debit Column.
* Enter the amount of cash received in the Cash Debit Column.

**How do you record the receipt of cash?**

Using the cash register tape as the source document:

* Enter the date written on the cash register tape in the date column
* Enter the # of the tape in the Document Number column
* Enter the words Cash Sales in the Account Name Column
* Enter a dash in the Post Ref column to indicate that no entry has been posted individually to the GL as part of the column totals at month-end.
* Enter the amount of merchandise sold in the Sales Credit Column.
* Enter the amount of the sales tax collected in the Sales Tax Payable Credit Column
* Enter the total cash received in the Cash Debit Column.

**How do you record the receipt from Bankcard Sales?**

Follow the same steps as Cash Receipts except writing “***Bankcard Sales***” in step 3.

**After you journalize the cash transactions in the Cash Receipts journal, how would you apply the transactions to individual customer accounts?**

Post from the **AR Credit column to the AR sub-ledger** should be done daily so that your customer accounts will always be up to date.

*Posting Steps to the AR Sub-ledger*:

* Enter the date of the transaction in the Date column of the Sub-ledger account
* In the sub-ledger Post Ref column, enter the journal letters and page #. Use CR for the Cash Receipts journal
* In the sub-ledger Credit Column, enter the amount from the AR Credit column of the Cash receipts journal
* Compute and enter the new balance in the balance column. If the account balance is zero, draw a line through the Balance column.
* Return to the cash receipts journal and enter a (check mark) in the Post Ref column.

**How do you know where to post transactions from the General Credit Column?**

* Enter the date of the transaction in the Date column of the Sub-ledger account
* In the sub-ledger Post Ref column, enter the journal letters and page #. Use CR for the Cash Receipts journal
* In the Credit Column of the ledger account, enter the amount from the general Credit column of the Cash receipts journal
* Compute and enter the new balance in the balance column. For the Office Equipment account used as an example in the textbook (pg. 464), use the Debit Balance column in the GL account “Office Equipment”. If the account balance is zero, draw a line through the Balance column.
* Return to the cash receipts journal and enter a (check mark) in the Post Ref column.

**How do you Foot, Prove, Total, and Rule the Cash Receipts Journal?**

* Draw a single rule across the six-amount columns, just below the last transaction

foot the columns

* Test for equality of debits and credits
* In the date column, on the line below the single rule, enter the date the journal id being totaled
* On the same line in the Account Name column, enter the words “totals”
* Enter the column totals, in ink, just below the footings
* Double rule the amount columns

**How do you post column totals to the GL?**

If entries to the General Credit journal have been posted already, you should not repost them.

* Place a “check mark” in parenthesis under the general credit column total to indicate that this total is **NOT** posted!
* Post the Sales total to the Sales account credit column
* Post the Sales tax Payable total to the sales tax payable account credit column
* post the AR total to the Accounts receivable **CONTROLLING** account Credit column
* Post the Sales Discount total to the Sales Discount account Debit column.
* Post the Cash total to the Cash-in-Bank account Debit column
* Compute the balances for each general ledger account
* Write each number in parenthesis below the double rule in the cash receipts journal

|  |  |
| --- | --- |
| What do you want students to **understand** by the end of the unit?***Students will understand that…**** Accounting is an incredibly efficient, organized, methodical, and logical form of recording transactions.
* Sales transactions can and will appear on two different journals depending upon the whether the sale was made on account, or with cash.
* It is more efficient to post sales transactions as a total from the special journals.
* Individual subsidiary ledger accounts should be posted on the day the transaction takes place and not with the totals at the end of the month.
 | What **essential questions** do you want students to answer throughout the unit?***Essential Questions….**** When is the Cash Receipts Journal used?
* How do you record the receipt of cash from Charge Customers?
* How do you record the receipt of cash on Account, Less a Cash Discount?
* How do you record the receipt of cash?
* How do you record the receipt from Bankcard Sales?
* After you journalize the cash transactions in the Cash Receipts journal, how would you apply the transactions to individual customer accounts?
* How do you know where to post transactions from the General Credit Column?
* How do you Foot, Prove, Total, and Rule the Cash Receipts Journal?
* How do you post column totals to the GL?
 |
| What should students **know** by the end of the unit?***Students will know…**** What are special journals.
* Why are special journals used?
* What is a sales journal?
* What 4 things must be done at the end of the month to complete the sales journal?
* Identify the three sales journal columns?
* Which journal is used to record the receipt of cash in a merchandising firm?
* What column total in the cash receipts journal is not posted to the ledger?
* How is the A/R Sub-ledger proved*?*
 | What should students be able to **do** by the end of the lesson?***Students will be able to…**** Record Sales on account in the special journal “Sales Journal”
* Record the receipt of cash for a merchandising firm in the Cash Receipts Journal
* Format and post journal entries from the Cash Receipt and Sales journals in the appropriate GL accounts.
* Prove the Cash receipts and sales journals.
* Total and foot the special journals to show accuracy
 |

What are some **misunderstandings** will students bring to the class as it applies to the goals of the unit?

* That all entries posted to a GL account comes from the General Journal.
* The receipt of cash in a merchandising business does not always come from a traditional sale transaction.

**Related Activities/Assessments**:

End of chapter problems and analysis with corresponding working papers