

# STRANDS AND STANDARDS

## ACCOUNTING 2



### Course Description

Students will develop advanced skills that build upon those acquired in Accounting 1. Students continue applying concepts of double-entry accounting systems related to a merchandising business. Additional accounting skills will be developed, including preparing and journalizing payroll records, calculating and recording adjusting entries, and interpreting financial information. Exposure to automated accounting procedures is strongly encouraged.

Note: This course is a Core elective, which may be offered for either 0.5 units of mathematics or Career and Technical Education (CTE) credit. Persons who teach this course would be required to have a Mathematics endorsement, a Business and Marketing Core endorsement, or a Business and Marketing (CTE/General) endorsement. The credentials of the instructor do not determine the credit options for students. Students may decide to take this class for mathematics or CTE credit, but not both. However, to generate CTE add-on dollars, a mathematics teacher must also have an approved CTE endorsement. Based on industry practice, students will be allowed to use resources on the state skills certification exam.

<b>Intended Grade Level</b>	10-12
Units of Credit	0.5
Core Code	32.02.00.00.020
Concurrent Enrollment Core Code	32.02.00.13.020
Prerequisite	Accounting 1
Skill Certification Test Number	212
Test Weight	0.5
<b>License Type</b>	CTE and/or Secondary Education 6-12
<b>Required Endorsement(s)</b>	
Endorsement 1	Business and Marketing (CTE/General)
Endorsement 2	Business and Marketing Core
Endorsement 3	

## STRAND 1

**Students will define generally accepted accounting principles and basic business structures and each step of the basic accounting cycle as related to a merchandising corporation.**

### Standard 1

Identify the difference in the financial statements between a merchandising corporation and a sole proprietor service business.

### Standard 2

Identify each step of the accounting cycle for a merchandising corporation.

- Step 1 - Analyze business transactions to determine debit(s) and credit(s)
- Step 2 - Journalize transactions in a general journal
- Step 3 - Post debit(s) and credit(s) from the general journal to ledger
- Step 4 - Prepare a trial balance to prove that debits equal credits
- Step 5 - Journalize and post adjusting entries
- Step 6 - Prepare the following financial statements:
  - Income statement (profit and loss)
  - Statement of retained earnings
  - Balance sheet
- Step 7 - Journalize and post-closing entries
- Step 8 - Prepare post-closing trial balance

## STRAND 2

**Students will explain and identify calculations, reports, and journal entries related to payroll.**

### Standard 1

Explain and identify calculations and reports related to payroll activities.

- Explain the formulas for gross earnings based on an hourly rate, salary, commission, and salary plus commission
- Identify and explain employee deductions including taxes (federal, social security, medicare, state) and other voluntary deductions used to calculate net pay
- Identify and explain employers' payroll taxes (social security, medicare, federal unemployment, and state unemployment) and employee benefits paid by the employer

Discuss and interpret forms and reports related to payroll:

- Forms
  - W-4
  - W-2
  - I-9
- Reports
  - Payroll Register
  - Employees' Earnings Record

### Standard 2

Identify the journal entries for employee payroll, employer payroll taxes and payment of payroll tax liabilities.

**Strand 2 Performance Skills included below.**

## STRAND 3

**Students will identify and describe source documents and journal entries related to sales and cash receipt transactions.**

### Standard 1

Identify and evaluate source documents related to sales and cash receipt journal entries.

- Sales invoices
- Cash register tapes
- Receipts

### Standard 2

Describe the process for journalizing and posting transactions related to sales and cash receipts.

- Sale of merchandise
- Sales tax
- Returns of merchandise from a customer
- Sales discounts
- Accounts receivable subsidiary ledger

**Strand 3 Performance Skills included below.**

## STRAND 4

**Students will identify and describe source documents and journal entries related to purchases and cash payment transactions.**

### Standard 1

Identify and evaluate source documents related to purchases and cash payment journal entries.

- Checks
- Purchases invoices

### Standard 2

Describe the process for journalizing and posting transactions related to purchases and cash payments.

- Purchases of merchandise
- Cash payments
- Returns of merchandise to a vendor
- Purchases discounts
- Accounts payable subsidiary ledger

**Strand 4 Performance Skills included below.**

## STRAND 5

**Students will explain and describe the purpose and procedures for common adjusting entries and how they affect the relationship between the trial balance and adjusted trial balance.**

**Standard 1**

Explain the purpose of adjusting entries and how they relate to the matching principle.

**Standard 2**

Describe the procedures to calculate, journalize and post the following adjusting entries:

- Inventory changes
- Supplies used
- Prepaid Insurance expired
- Corporate federal income tax adjustment

**Standard 3**

Explain the relationship between the trial balance and the adjusted trial balance.

**Strand 5 Performance Skills included below.**

**STRAND 6**

**Evaluate changes to the income statement, balance sheet, and stockholders' equity for a merchandising corporation.**

**Standard 1**

Compare and contrast the income statement between a service sole-proprietorship and a merchandising corporation.

- Cost of merchandise sold
- Gross profit
- Depreciation expense
- Bad debt expense
- Operating income
- Corporate income tax

**Standard 2**

Compare and contrast the balance sheet between a service sole-proprietorship and a merchandising corporation.

- Inventory
- Accumulated depreciation
- Allowance for uncollectible accounts
- Current/Long-term assets and liabilities
- Payroll liabilities
- Stockholders' equity
- Capital stock
- Retained earnings

**Standard 3**

Define and identify the two permanent accounts in stockholders' equity and how they change during the accounting period.

- Define and identify elements that change retained earnings
  - Net income (net loss)
  - Dividends

- Define capital stock and explore ways the balance could change

#### Standard 4

Define and interpret common financial ratios and their uses to stakeholders.

- Gross profit margin (Gross profit/Sales)
- Return on sales (Net income/Sales)
- Quick ratio (Cash+Accounts receivable/Current liabilities)
- Debt-to-equity (Total liabilities/Total stockholders' equity)
- Return on equity (Net income/Total stockholders' equity)

**Strand 6 Performance Skills included below.**

## STRAND 7

**Explain and describe closing journal entries and the post-closing trial balance.**

#### Standard 1

Explain the purpose of closing journal entries as they apply to a merchandising corporation.

#### Standard 2

Describe the difference between a trial balance and a post-closing trial balance for a merchandising corporation.

**Strand 7 Performance Skills included below.**

## STRAND 8

**Students will identify and explain different write-off methods and procedures to record write-offs using the allowance method.**

#### Standard 1

Identify what "writing off" an accounts receivable means, why it is necessary, and the two common write-off methods.

- Direct write-off method
- Allowance method

#### Standard 2

Explain the journal entries related to the allowance method for writing off uncollectible accounts.

- Recording the adjusting journal entry for the allowance method
  - calculate adjustment amount using the net sales method
  - calculate adjustment amount using the aging method
- Writing-off to close uncollectible account
- Reopening a previously written-off account
- Recording payment for reopened account

#### Standard 3

Explain concept of Book Value of Accounts Receivable and how to calculate it (Accounts Receivable - Allowance for Uncollectible Accounts)

**Strand 8 Performance Skills included below.**

## STRAND 9

**Students will define depreciation and explain the process for calculating, journalizing, and posting straight-line depreciation.**

### Standard 1

Define depreciation and how it relates to GAAP and the matching principle.

### Standard 2

Explain the procedure for calculating depreciation using the straight-line method.

- Identify original cost, salvage value, and useful life of the asset
- Describe the calculation:  $(\text{original cost} - \text{salvage value}) / \text{useful life}$
- Identify the process to calculate partial-fiscal-year depreciation

### Standard 3

Identify and describe the procedure to journalize and post adjusting journal entry for depreciation.

**Strand 9 Performance Skills included below.**

## STRAND 10

**Explore different accounting career options and how ethics and technology affect the accounting profession.**

### Standard 1

Explore examples of ethics in the accounting profession.

### Standard 2

Identify and explore the use of automated accounting software, such as:

- Spreadsheets
- QuickBooks
- Industry-standard accounting and tax software

### Standard 3

Explore Internet sites and mobile apps for accounting purposes (e.g. AICPA, start here go places, IRS, Intuit, Accounting today, Journal of Accountancy, Securities and Exchange Commission, Xero, Sage)

### Standard 4

Explore careers in the field of accounting (e.g. accountant, accounting clerk, CPA)

## Performance Skills

Strand 2) Payroll:

- Calculate, journalize, and post employee payroll, employer payroll taxes, and payroll tax liabilities.

Strand 3) Sales & Cash Receipts:

- Journalize and post transactions for sale of merchandise with and without sales tax, sales returns, and sales discounts.

Strand 4) Purchases & Payments:

- Journalize and post transactions for purchases of merchandise, purchase returns, and purchase discounts.

Strand 5) Adjusting Entries:

- Identify and calculate adjustments, journalize adjusting entries, post to general ledger accounts, and prepare an adjusted trial balance.

Strand 6) Financial Statements:

- Prepare a balance sheet and multi-step income statement for a merchandising corporation and calculate financial ratios.

Strand 7) Closing Entries:

- Journalize and post closing entries and create a post-closing trial balance.

Strand 8) Uncollectible Accounts:

- Journalize and post journal entries using the allowance method for uncollectible accounts receivable.

Strand 9) Depreciation:

- Calculate depreciation using the straight-line method, journalize and post the adjusting entry for depreciation.

### Skill Certification Test Points by Strand

Test Name	Test #	Number of Test Points by Strand										Total Points	Total Questions
		1	2	3	4	5	6	7	8	9	10		