

STRANDS AND STANDARDS

ACCOUNTING 2



Course Description

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 corporation. Additional accounting skills will be developed, including preparing and journalizing payroll roll records, cds, calculating and recording adjusting entries, and interpreting financial information. Exposure to automated accounting procedures is strongly encouraged.

Note: This course is a 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 Essentials 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 CTE credit, but not both. However, generate CTE add-on dollars, mathematics teacher must also have an approved CTE endorsement. Based on industry practice, students will be allowed to use course resources on the state skills certificate.

Intended Grade Level	10-12
Units of Credit	0.5
Core Code	32.02.00.00.020
Concurrent Enrollment Core Code	32.02.00.13.020
Skill Certification Test Number	212
Skill Certification Cut Score	72%
Test Weight	0.5
License Area of Concentration	Secondary License
Required Endorsement(s)	
Endorsement 1	BFM Essentials or BFM CTE/General

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 and define the three forms of business structures

- **Sole Proprietorship:** A business owned by one person. The owner is entitled to all profits and is responsible for all the business's debts, losses, and liabilities.
- **Partnership:** a business owned by two or more people who share its profits, and are responsible for its debts, losses and liabilities.
- **Corporation:** a separate legal entity whose owners are stockholders. The losses and liabilities are limited to their investment.

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
- 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 **FICA (social security and Medicare), federal, 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:

Employment Forms

- W-4
- W-2
- I-9

Reports

- Payroll Register

- Employees' Earnings Record

Standard 2

Journalize entries for employee payroll, employer payroll taxes, and payment of payroll tax liabilities.

Performance Skills

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

STRAND 3

Students will identify source documents and journalize entries related to sales and cash receipt transactions.

Standard 1

Identify and evaluate source documents related to sales and cash receipt transactions.

- Sales invoices
- Cash register tapes
- Receipts

Standard 2

Journalize and post transactions related to sales and cash receipts transactions.

- **Sale of merchandise**
- **Sales tax**
- **Sales returns and allowances (contra sales account)**
 - **Contra Account:** an account that reduces the value of a related account
- **Sales discounts (contra sales account)**
- **Accounts receivable subsidiary ledger**

Performance Skills

- Calculate, journalize, and post transactions for sale of merchandise with and without sales tax, sales returns and allowances, and sales discounts

STRAND 4

Students will identify source documents and journalize 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
- **Purchases returns and allowances (contra purchases account)**
- **Purchases discounts (contra purchases account)**
- **Accounts payable subsidiary ledger**

Performance Skills

- Calculate, journalize and post transactions for purchases of merchandise, purchases returns and allowances, and purchases discounts.

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.

- **Matching Principle: Matching expenses to the period which they were incurred to the revenue earned in the same period.**

Standard 2

Calculate, journalize and post the following adjusting entries:

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

Standard 3

Identify the difference between the trial balance and the **adjusted trial balance**.

- **Adjusted trial balance:** A trial balance prepared after the adjusting entries are posted

Performance Skills

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

STRAND 6

Students will 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:** Beginning inventory + Net Purchases - Ending Inventory
- **Gross profit:** Net sales - Cost of Merchandise sold
- **Depreciation expense:** Portion of an assets value that has been used up during that period
- **Uncollectible accounts:** Accounts receivable that cannot be collected
- **Operating income:** Gross profit - operating expenses
- **Corporate federal income tax expense:** tax assessed by federal government on business profit.

Standard 2

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

- **Inventory:** The amount of merchandise on hand
- **Accumulated depreciation:** Total amount of depreciation expense that has been recorded since the purchase of a plant asset

- **Allowance for uncollectible accounts:** The percentage of accounts receivable expected to be uncollected
 - **Formula:** Total sales on account x Percentage determined to be uncollectible
- **Current assets:** Cash and other assets that can be converted into cash or consumed within a year
- **Current Liabilities:** Liabilities due within a year
- **Plant assets:** Assets that are used for a number of years
- **Long-term liabilities:** Liabilities owed for more than a year
- **Stockholders' equity:** The assets remaining in a business once all liabilities are paid. $\text{Assets} - \text{liabilities} = \text{Stockholders' Equity}$
- **Capital stock:** Total shares of ownership in corporation
- **Retained earnings:** amount earned by a corporation that is not yet distributed to the stockholders

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): The difference between total revenue and total expenses
- **Dividends:** earnings distributed to stockholders

Standard 4

Calculate 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)

Performance Skills

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

STRAND 7

Students will be able to calculate, journalize, and post closing entries and prepare a post-closing trial balance.

Standard 1

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

Standard 2

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

Performance Skills

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

STRAND 8

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

Standard 1

Explain how depreciation expense relates to GAAP and the matching principle.

Standard 2

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

- **Straight-line Depreciation:** $(\text{cost of the asset} - \text{estimated salvage value}) \div \text{estimated useful life of an asset}$
- Identify original cost, salvage value, and useful life of the asset
- Calculate partial-year depreciation: $(\text{cost of the asset} - \text{estimated salvage value}) \div \text{estimated useful life of an asset} \times \text{number of months asset was used} / 12$

Standard 3

Calculate, journalize, and post adjusting journal entry for depreciation.

Performance Skills

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

STRAND 9

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.

- **Write-off:** Canceling the balance of a customer account because the customer does not pay
- **Direct write-off method:** Recording uncollectible accounts expense only when an amount is actually known to be uncollectible
- **Allowance method:** Crediting the estimated value of uncollectible accounts to a contra account.

Standard 2

Calculate and journalize entries related to the allowance method for writing off uncollectible accounts.

- Record the adjusting journal entry using the **allowance method**.
- Calculate the adjustment amount using the **net sales method**.
- Calculate the adjustment amount using the **aging method**.
- **Write-off** to close uncollectible account.
- **Reopen** a previously written-off account.
- Record 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).

Performance Skills

Calculate, journalize, and post journal entries using the allowance method for uncollectible accounts receivable.

STRAND 10 (Optional)

Students will 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. American Institute of Certified Public Accountants, 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, Certified Public Accountant).

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		
Accounting 2	212	2	11	7	9	7	8	5	4	4	0	57	56