

Public District School Board Writing Partnership

Business Studies

Course Profile **Accounting for a Small Business**

Grade 12
Workplace Preparation
BAN4E

• *for teachers by teachers*

This sample course of study was prepared for teachers to use in meeting local classroom needs, as appropriate. This is not a mandated approach to the teaching of the course. It may be used in its entirety, in part, or adapted.

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Course Overview

Accounting for a Small Business, BAN4E, Grade 12, Workplace Preparation

Policy Document: *The Ontario Curriculum, Grades 11 and 12, Business Studies, 2000.*

Prerequisite: Introduction to Accounting, BAI3E, Grade 11, Workplace Preparation

Course Description

This course expands upon the fundamentals of accounting introduced in the Grade 11 course by examining each component of the accounting cycle, with emphasis on practical application. Students will learn how accounting is practised in the workplace by acquiring an understanding of payroll systems, inventory, special journals, subsidiary ledgers, sales taxes, and cash management, and will use accounting software programs.

Course Notes

This Course Profile presents only one of many possible ways for teachers to organize their course so students can acquire and demonstrate the skills and knowledge specified in the curriculum policy documents through the learning expectations. Teachers using this Course Profile are encouraged to use the information presented to refine, revise, and develop activities that reflect the various learning styles and learning preferences of individual students and to respond to local needs.

Throughout this course teachers should refer to and make use of the school's Guidance and Career Education Program Plan (*Choices Into Action*). Students can utilize career-access software, e.g., *Career Cruising*, *Career Explorer*, listed under Career Resources, to explore job descriptions, working conditions, earnings, education, and career paths for jobs in accounting for small businesses. Students should be aware of the dynamic nature of the cooperative learning experience and business career paths available to them. Appropriate career choices would include distinguishing between the level of jobs and the level of accounting expertise and qualifications involved in each.

Entry level – recording and clerical with concerns as to recording, classifying, and summarizing daily transactions. Jobs include A/R clerks, payroll clerks, inventory control clerks, and general accounting clerks.

Supervisory – responsibilities include planning tasks, hiring, training, quality control, and being an integral part of the promotion/correction/termination process. Jobs include accounting supervisor, senior accountant, cost accountant, assistant accountant, and payroll supervisor.

Management – involved with budgeting, taxation, Accounts Receivable, Accounts Payable, forecasting, credit, and expansion, downsizing. Positions include treasurer, comptroller, auditor, tax accountant, office manager and manager of the accounts department.

It is advisable for teachers to identify and gain the participation of local businesses, wherever possible. Teachers are encouraged to develop an in-class display of community businesses and to highlight existing partnerships. Also, teachers might approach a variety of community business links that reflect the diversity of the local school community to use as a supplementary resource.

As this course is designed to prepare students to enter the workplace, the emphasis will be on “real world” business and practical accounting activities including simulations, job shadowing, and work experience, wherever possible.

The unit expectation clusters reflect the strands in the Ministry of Education document.

The computerized accounting expectations must be addressed. The use of computerized accounting software and its importance to a business is addressed in Unit 5. As well, each unit ends with applications for computer mastery. If facilities are available on a daily basis, Unit 5 and the other unit computer applications could be incorporated throughout the course. Not all schools, however, will have

labs available for the accounting student on a regular basis. The teacher could arrange for computer access to meet these expectations as they arise in the course or by accessing computers for a longer period of time at the end of the course. Periodic access to computer technology, for the standard office productivity tools such as word processors, spreadsheets, database, e-mail, and the Internet are a requirement in this course. Since some of these activities require students to use the Internet for research, teachers must ensure that school and board policies related to Internet use are followed

Units: Titles and Times

* Unit 1	The Accounting Cycle of the Service and Merchandising Business	25 hours
Unit 2	The GST, Retail Taxes, and Cash-Flow Statements	21 hours
Unit 3	Accounting Practices	22 hours
** Unit 4	Financial Analysis and Accounting Careers	16 hours
Unit 5	Computerized Accounting Procedures	26 hours

*This unit is fully developed in this Course Profile.

** This unit is fully developed in the Catholic Course Profile.

Unit Overviews

Unit 1: The Accounting Cycle of the Service and Merchandise Business

Time: 25 hours

Unit Description

In Unit 1 students demonstrate accounting skills related to the accounting cycle for a service business. They then demonstrate an understanding of inventory control systems and accounting skills related to the accounting cycle for a merchandising business.

The prerequisite course, BAI3E, familiarizes the student with the service business accounting cycle and the corresponding Generally Accepted Accounting Principles (GAAPs). **Cluster 1.1** is a review of those concepts. It is recommended that a diagnostic appraisal/test be administered by the teacher to assess student retention of basic knowledge and serve as a review. It could take the form of a multiple-choice test and/or a project (could be done in pairs) that would encompass the total accounting cycle. (See Resources specific to this unit cluster for a sample problem.) A solution template could be provided for the students to check their completed work. The focus is formative feedback. Based on the results, the teacher reinforces key knowledge and skills.

In **Cluster 1.2** students learn the difference between a service and a merchandising company. They learn the key role of inventory in a business that sells products not services. Beginning with a periodic inventory system and the classic calculation of Cost of Goods Sold (COGS), the teacher prepares/provides a simulation of an actual inventory process through pictures and quantities of actual products. The COGS concept of opening inventory, purchases, purchase returns/discounts, and closing inventory are thus introduced. An alternative is a website simulation. (See Resources.) Once the simulation is completed, the students learn through teacher-guided demonstration, how the transactions involved with inventory and the COGS including journalizing and posting are carried out. The study of COGS is useful for analysis purposes and builds a foundation for practical applications of inventory-costing methods. A field trip to a store could be arranged to see how a company handles the taking of a physical inventory and to introduce the principles of safeguarding inventory and various inventory control systems. Teachers must follow board and school policies when planning out-of-school activities. (Consult unit resources for alternative methods of instruction.) These two topics could also be covered through case studies. Finally, a teacher-guided demonstration introduces the concept of inventory turnover and students work through appropriate applications. As a culminating activity, an exercise could be developed that would allow students to compare the inventory turnover rates of three or four similar companies. The annual reports of

these companies or their websites could be given to the students. On the basis of this information, they could calculate the turnover rate for each and prepare a report, which would discuss their findings. See appendices for Unit 1 for an oral presentation checklist, oral report rubric and written report rubric.

Cluster 1.3 takes the accounting cycle for a merchandising business through to its conclusion of statement preparation and closing of the books. The students are introduced to the difference between the periodic and perpetual inventory systems. Since the advent of the computer in business has made the perpetual system of inventory more common in the marketplace, the accounting for a perpetual system should be stressed. Students examine the role of the computer in keeping track of the flow of goods into and out of inventory; how inventory reports are enhanced by appropriate software; and how management gains greater access to inventory information through the electronic process.

Throughout the unit, the applicable GAAPs for a service and a merchandising business are integrated.

Strand(s): The Service and Merchandising Business, Accounting Practices

Unit Overview Chart

Cluster	Learning Expectations	Assessment Categories	Focus/Time
1.1	SMV.01, SM1.01, SM1.02, SM1.03, SM1.04	Knowledge/Understanding Thinking/Inquiry Application Communication	The Service Business (7 hours)
1.2	SMV.02, SMV.03, SM2.01, SM2.02, SM3.01, SM3.02, SM3.03, SM3.05	Knowledge/Understanding Thinking/Inquiry Application Communication	Inventory Control Systems (7 hours)
1.3	SMV.02, SMV.03, SM2.01, SM2.03, SM2.04, SM3.04, SM3.06, SM3.07, SM3.08	Knowledge/Understanding Thinking/Inquiry Application Communication	The Merchandising Business (11 hours)

These times are approximate and subject to teachers' discretion.

Unit 2: The GST, Retail Taxes, and Cash-Flow Statements

Time: 21 hours

Unit Description

In Unit 2, students demonstrate an understanding of accounting procedures for the goods and services tax, retail sales tax, and procedures for cash management.

In **Cluster 2.1**, the teacher introduces the federal Goods and Services Tax (GST). The introduction should include an overview of how tax works and who must register. Students complete a GST Registration Form and a GST Tax Return for a fictitious business. (Forms are available from Canada Customs Revenue Agency (CCRA); see website in Resources.) The teacher acquaints students with special rules that apply to zero-rated Goods and Services and tax-exempt Goods and Services. Students demonstrate the accounting for GST for both sales and purchases, plus the accounting for the remittance of GST. (See Resources.) The teacher introduces an alternative method of accounting for some small businesses, the "Quick Method" of accounting for GST.

In **Cluster 2.2**, the teacher introduces students to the provincial sales tax (PST). Students investigate electronically current retail sales tax rules including special rates charged on certain goods and exempt items. (See Resources.) They complete a vendor's permit and a Retail Sales Tax Return for a fictitious business. The teacher introduces the accounting for PST on sales and the accounting for the remittance of PST, including sales tax commission. As a culminating exercise, students complete a set of transactions involving both GST and PST. (See Resources.)

In **Cluster 2.3**, the teacher presents students with a completed cash flow statement and the information it provides the user is discussed in depth. Balance sheets for the beginning and end of period, as well as an income statement for the period should be provided. The teacher can use a structured analysis, e.g., the Working Papers Approach, to reveal how the information for the cash flow statement was extracted. The students with the teacher's help complete the analysis and a final version of the cash flow statement using spreadsheet software. Students should be exposed to cash provided/used by operations and working capital, financing and investing activities. The calculation of working capital and its importance as a measurement of short-term solvency can be taught and applied in short case studies. (See Resources.) The teacher demonstrates the basic rules of cash control, and the accounting procedures involved in cash control: Petty Cash Fund; daily cash proofs; the preparation of deposit slips and cheques; and Bank Reconciliation. Students use further short case studies as practice for cash control applications for students. (See Resources.)

In **Cluster 2.4**, the teacher directs students in the application of the knowledge and procedures covered in the first three activities to a computerized accounting software exercise that involves the accounting for GST and PST within a merchandising business as well as the production of a projected cash flow statement.

Strand(s): The GST, Retail Taxes, and Cash-Flow Statements

Unit Overview Chart

Cluster	Learning Expectations	Assessment Categories	Focus/Time
2.1	TSV.01, TS1.01, TS1.02	Knowledge/Understanding Communication Application	Goods and Services Tax (4 hours)
2.2	TSV.02, TS2.01, TS2.02	Knowledge/Understanding Communication Application	Retail Sales Tax (3 hours)
2.3	TSV.03, TS3.01, TS3.02, TS3.03, TS3.04	Knowledge/Understanding Thinking/Inquiry Communication Application	Cash Management (10 hours)
2.4	TSV.01, TSV.02, TSV.03, TS1.03, TS2.03, TS3.05	Application	GST, PST, Cash Flow Management (4 hours)

Unit 3: Accounting Practices

Time: 22 hours

Unit Description

In Unit 3 students demonstrate an understanding of specialized journals and subsidiary ledgers; describe payroll practices; and explain ways in which technology is used in the accounting function of a business.

In **Cluster 3.1**, students learn the procedures of a subsidiary ledger system and a special journal system. The teacher demonstrates the necessity for a subsidiary ledger system within a growing business by a visual example of a large ledger and leads a discussion on the type of accounts that have been increasingly added to the ledger and how the ledger could possibly be divided. Students are given an opportunity to identify the advantages to such a system (division of labour, accounting control). The teacher introduces the importance of compensating controls and gives examples of how compensating controls can improve control in an environment where there are few staff members in the accounting or financial departments. Students learn: the use of source documents in recording in each subsidiary ledger, the direct posting procedures to the subsidiary ledgers, the journalizing of batch totals and their posting

to the general ledger, and the end-of-period preparation of subsidiary ledger schedules and the comparison of their totals to general ledger control accounts. The teacher introduces the special journal system and its purpose by example. A general journal should be presented to students for analysis. They can be asked to categorize transactions by type (cash receipts, cash payment, credit sale, credit purchase, other) and then be guided through the procedures (journalizing, balancing, and posting) involved in using a special journal system. The teacher can require students to compare the procedures involved in using strictly a general journal to that of a special journal system and to list the advantages to the latter. The cluster can culminate with an exercise that involves the integrated use of the subsidiary ledger system and the special journal. (See Resources.) This exercise fits well into a group activity or role-playing. The *Role Play Assessment Chart*, from BTX4E (Public) at www.curriculum.org provides opportunity for formative student and summative teacher evaluation and assessment.

In **Cluster 3.2**, the teacher introduces payroll practices with an overview of the laws that pertain to the topic, e.g., provincial laws, federal laws, Employment Standards Act, Income Tax Act, Canada Pension Act. Government payroll documentation such as the federal government's T4 and TD1 forms can be presented to the students. (These forms are available on the Canada Customs and Revenue Agency (CCRA) website, see Resource 3.2.) This cluster of expectations provides an opportunity to link with the CCRA. The teacher could invite a speaker from CCRA to cover these points. Students can identify different methods of employment compensation. Examples can be given of the calculation of gross pay for each method identified. The accounting for both mandatory and voluntary deductions are taught in the context of keeping a payroll journal and individual employee's earnings records. An exercise that involves the recording of payroll (including payment to employees, the employers' payroll expenses, and remittance of government payroll deductions) to the journal and ledger of a business gives students an understanding of the work involved in keeping payroll records. Students discuss the relative advantages and disadvantages of a small business keeping its own payroll versus outsourcing.

In **Cluster 3.3**, students apply the knowledge and skills developed in this unit to a computerized accounting exercise. The teacher facilitates the setting up of Accounts Payable, Accounts Receivable, and Payroll ledgers. Students then work through exercises entering transactions dealing with these three accounting functions. The use of special journals for recording sales, purchases, cash receipts and cash payments (within an integrated software package) are part of the culminating activity. (See Resources.)

Strand(s): Accounting Practices

Unit Overview Chart

Cluster	Learning Expectations	Assessment Categories	Focus/Time
3.1	APV.01, AP1.01, AP1.02	Knowledge/Understanding Application Communication	The Special Journal System (12 hours)
3.2	APV.02, AP2.01, AP2.02, AP2.03, AP2.05	Knowledge/Understanding Communication Application	Payroll Practices (6 hours)
3.3	APV.01, APV.02, APV.03, AP1.03, AP2.04, AP3.01	Communication Application Thinking/Inquiry	Accounting Systems and Computer Software (4 hours)

Unit 4: Financial Analysis and Accounting Careers

Time: 16 hours

Unit Description

In Unit 4, students demonstrate the skills required to interpret financial information, analyse job costs and profitability, and produce a summary of professional accounting designations and career opportunities.

Cluster 4.1 introduces the student to the financial analysis of a firm. Annual reports of publicly traded corporations are used to identify the external and internal users of financial information and the elements of financial analysis. It is anticipated that students explore financial statement trend analysis and use common size and comparative financial statements. Some of the more common analysis tools, such as current and quick ratios, debt/equity ratios, returns to equity and assets, as well as inventory and accounts receivable turnover should be part of the analysis. (See Resources.) Many small businesses are privately owned and require financial statements for their banks/creditors and tax purposes. A guest speaker from a bank could explain what banks are looking for when lending money or extending credit to a small business. Students research publicly available reports on the Internet or from hard copy. This activity may culminate in student presentations to the class. It should be noted that the study of corporate annual reports does not necessitate in-depth analysis of the equity section of the balance sheet. However, students should be familiar with the more common ownership terms such as *common* and *preferred shares*.

In **Cluster 4.2**, the teacher introduces fundamental concepts used in manufacturing operations. Students learn to evaluate the impact of labour costs, material costs, and overhead costs on the profitability of the firm. (See Resources for background information.) The major objective in this activity is to enable students to identify the cost/profit relationships on major financial statements, not to acquire detailed transaction recording skills. The cluster ends with job order cost accounting and job-costing which combines all cost elements and calculates the final profit or loss for that particular item or cost centre.

Cluster 4.3 – Since students have been exposed to the importance of accurate record keeping, they can appreciate the contribution of properly trained accountants to the whole economy. Students use the newspaper or the Internet to conduct searches, and develop charts, lists, and rating scales, which enable classifications of various accounting careers. These classifications can include job descriptions, professional accounting designations/groups, remuneration ranges, and job openings. *CareerCruising*, *Career Explorer* and the *Jackson Vocational Interest Survey (JVIS)* along with the professional associations provide extensive career information. The three accounting organizations referenced in the resources all provide excellent classroom speaker programs.

Strand(s): Financial Analysis and Accounting Careers

Unit Overview Chart

Cluster	Learning Expectations	Assessment Categories	Focus/Time
4.1	FAV.01, FA1.01, FA1.02, FA1.03, FA1.04	Knowledge/Understanding Thinking/Inquiry Communication Application	Financial Analysis (8 hours)
4.2	FAV.02, FA2.01, FA2.02, FA2.03, FA2.04	Knowledge/Understanding Thinking/Inquiry Communication	Production Costs and Profitability (5 hours)
4.3	FAV.03, FA3.01, FA3.02, FA3.03	Knowledge/Understanding Communication Thinking/Inquiry	Accounting Careers (3 hours)

Unit 5: Computerized Accounting Procedures

Time: 26 hours

Unit Description

In Unit 5, students identify ways in which technology is used in the accounting function of a business. Although there is a separation between the practical application of accounting software and the evaluation of its advantages to a firm, both Clusters 5.1 and 5.2 can be addressed at the same time or their order can be reversed. This provides flexibility where computers are not always available on a regular, long-term basis. Cluster 5.1 definitely needs to be taught in a computerized environment, whereas Cluster 5.2 can be performed in a regular classroom setting if needed.

In **Cluster 5.1**, students practise the recording of transactions using accounting software. *Simply Accounting* is the Ministry of Education licensed software. The CGA binder that accompanies the software package facilitates teaching the expectations. In addition, students learn the features and modules of accounting software by analysing transactions for a merchandising concern. Purchase, Sales, and Inventory may be introduced if the time and resources are available.

Cluster 5.2 focuses on a survey of local businesses to see how widespread the use of accounting software is in the community. **Note:** Students must be instructed to accept “no comment” as a valid answer to any questions, and to respect that people may choose not to respond at all. This leads to an analysis of the relationship of a firm’s size with the use of commercial accounting programs. Next, the importance of general computer skills and procedures needs to be addressed. The teacher explains how to safeguard important computer data from abuse by outsiders through the use of password protection and the record retention of financial records for tax reasons (re audits and validation) including both income and sales tax audits. Students use virus detection and cleaning programs to preserve the integrity of their data and explore backup methods in case their hardware breaks down. The final project has the students convert a rapidly growing small business from a manual system to a computerized system. Again, the CGA binder that accompanies *Simply Accounting* enables the teaching of this expectation.

Strand(s): Computerized Accounting Procedures

Unit Overview Chart

Cluster	Learning Expectations	Assessment Categories	Focus/Time
5.1	APV.03, AP3.03	Application	Use of Accounting Software (14 hours)
5.2	APV.03, AP3.01, AP3.02, AP3.04	Knowledge/Understanding Application Communication	Computerized Accounting Procedures (12 hours)

Teaching/Learning Strategies

There is a conscious quest for a balance of traditional modelling of skills and knowledge, together with a blend of small group and individual practice and exploration in this profile. Concepts and ideas that students discover are usually internalized more deeply and retained with greater meaning than ideas that are passively received in didactic fashion. When students report and discuss discoveries with other students and the teacher, the learning is consolidated and enhanced. Educational research has shown that guided instruction and interactive learning are cornerstones of efficient teaching practice.

The strategies are listed to provide a means for teachers to quickly reflect on what they have used in the past and what they can adopt. The Pedagogy Resources section provides detailed explanations of the strategies listed. The *Ontario Curriculum Unit Planner* is an excellent source of teaching and learning strategies.

Assessment & Evaluation of Student Achievement

Teachers should employ assessment strategies frequently throughout the course to communicate the expectations of the course to students, to make appropriate adjustments to teaching and learning strategies and to accommodate exceptional students.

Marking schemes and rubrics used for evaluation should be organized to include the four Achievement Chart categories or as many as possible. One student-generated product or process may be evaluated under multiple categories: Knowledge/Understanding, Thinking/Inquiry, Communication, and Application.

Some strategies, which are consistent with the assessment techniques referred to in the activities, are presented below.

- Share the rubrics for culminating activities at the beginning of the unit, so expectations and criteria are clear for students and can be used to support the learning in all activities in the unit.
- Develop rubrics with students, where appropriate and where both teacher and students understand and are comfortable with the process.
- Emphasize the language of assessment and evaluation in your discussions with students.
- Provide sample work demonstrating achievement at different levels for students.
- Provide opportunities for self- and peer assessment to be used as formative assessment to support and improve student learning.
- Provide multiple opportunities for students to demonstrate their achievement of expectations.
- Provide opportunities for students to retry assignments until they can demonstrate their learning.
- Develop tests that provide opportunities to demonstrate all categories on the Achievement Chart (not just Knowledge) at all levels.
- Give practice tests as an opportunity for formative assessment.
- Use assessment tools that are appropriate for the expectations being addressed and relate them to the categories on the Achievement Chart.
- Provide prompt feedback so that students can use it to improve their learning.
- Design a variety of assessment tasks to address different learning styles.
- Provide choice in activities/assessment tasks to accommodate the diverse needs of the learners in the classroom.
- Provide opportunities for students to track their own progress.

Assessment Purposes

Assessment may be diagnostic, formative, and summative. Diagnostic assessment includes informal observation checklists, quizzes, and class questions and answers. The following strategies and tools may be used for both formative and summative purposes.

Method	Strategy	Tool
Paper-and-Pencil	Test - selected response - true/false - constructed response	Marking Scheme
Performance Task	Oral Presentation Electronic Presentation Maintaining Ledger Systems Accounting System Conversion Classification of Accounting Careers	Rubric Checklist Solution Template
Personal Communication	Student-Teacher Conference Classroom Question and Answer	Rating Scale Anecdotal Record

Final Course Evaluation

The teacher must ensure that a student's most consistent performance level is reflected in their final grade. The teacher must also provide a variety of opportunities for students to demonstrate their achievement of the expectations. Seventy per cent of the grade will be based on assessments and evaluations conducted throughout the course. Thirty per cent of the grade will be based on a final evaluation in the form of an examination, performance task and/or other method of evaluation.

Accommodations

The teacher should consult individual student IEPs for specific direction on accommodation for individuals. The following are common, frequently used strategies.

Math <ul style="list-style-type: none">• Check work after each example.• Modify the complexity of examples.	Reading <ul style="list-style-type: none">• Read questions first.• Use reading partners.• Pre-teach concepts/vocabulary• Highlight notes.• Use visuals.
Memory <ul style="list-style-type: none">• Teach students to verbalize concepts.• Check that daily assignments are recorded in planner• Insist students write things down; provide lists and flow charts.• Give visual clues.	Written Language <ul style="list-style-type: none">• Vary assignments.• Give explicit instructions.• Allow more time.• Provide photocopied notes.• Allow point-form notes and graphic organizers.• Use peer editing.
Enrichment Accommodations <p>The teacher can enrich the learning experience by:</p> <ul style="list-style-type: none">• integrating cross-curricular activities;• fostering in-depth learning of a self-selected topic within the expectation requirements;• being aware that students may be gifted in one area and not in others;• encouraging and using the Distributive Education Clubs of America (DECA™) and Ontario Business Education Association (OBEA) contests;• allowing students to demonstrate mastery of content through preferred style of learning;• motivating students to synthesize course content with their own experiences and ideas.	

ESL/ELD Accommodations

- English-speaking students can help their classmates in ESL/ELD programs by repeating, rephrasing, and writing words down.
- Provide peer tutors who speak the same first language, if possible and give them specific responsibilities.
- Give recognition to partners for undertaking responsibilities.
- Avoid all-ESL groupings.
- Encourage ESL students to use their own language for clarification and explanation.
- Provide students with a summary sheet that can be used at the end of each class (with teacher assistance) to list main terms or concepts that were the focus of the lesson.
- Make overheads of handouts on which the teacher highlights important terms, explains words, and clarifies instructions, etc., while students do the same on their copy.
- Provide a glossary of terms for the reading.

- Encourage the use of first-language dictionaries for assignments and assessments.
- Pair written instructions with verbal instructions.
- Provide visual and auditory clues.
- Culturally, some ESL students have been taught to rely on teacher-based assessment. The criteria must be explained before they begin the process of self- or peer assessment.

Resources

Units in this Course Profile make reference to the use of specific texts, magazines, films, and videos. Before reproducing materials for student use from books and magazines, teachers need to ensure that their board has a Copyright licence and that this licence covers resources they wish to use. Before screening videos for their students, teachers need to ensure that their board/school has obtained the appropriate public performance videocassette licence from an authorized distributor, e.g., Audio Cine Films Inc. Teachers are also reminded that much of the material on the Internet is protected by copyright. The person or organization that created the work usually owns that copyright. Reproduction of any work or a substantial part of any work on the Internet is not allowed without the permission of the owner.

Websites

Note: the writers before publication have verified the URLs for the websites. Given the frequency with which these designations change, teachers should always verify the websites prior to assigning them for student use.

Career Resources

Canada's Biggest Job Site – <http://www.workopolis.ca>
 Canadian Bankers Association – <http://www.cba.ca>
 Canadian Career and Industry Specific Job Sites – <http://www.canadajobsearch.com/careerspecific.htm>
 Canadian Career Page – <http://www.canadiancareers.com>
 Canadian Youth Business Foundation – <http://www.i3ds.com/cyba/directory/gov.html>
 Career Cruising – <http://www.careercruising.com/home/index/html>
 Career Edge, Main Index Page – <http://www.careeredge.on.ca>
 Career Explorer – <http://cdn.cx.bridges.com/>
 Careers in a Package, The Teacher's Guide. Packaging Association of Canada, 2000.
 – <http://www.packagingcareers.org>
 Curriculum Vitae Tips – <http://www.cvtips.com>
 Human Resources Development Canada – <http://www.hrhc-drhc.gc.ca>
 Interest Survey – <http://www.jvis.com>
 Investing in Your Future, Appendix b and Appendix c. Toronto: Canadian Securities Institute and Investor Learning Centre, 2000. ISBN 1-894289-51-X
 Job Bank – <http://jb-ge.hrhc-drhc.gc.ca>
 Job Shark – <http://www.jobshark.ca/caeng/index.cfm>
 Work Search – <http://www.worksearch.gc.ca>
 YWCA One Stop Career Shop – <http://www.onestopcareershop.bc.ca/dropin.html>

Pedagogy – Print

Bennett, B., C. Rolheiser-Bennett, and L. Stevahn. *Cooperative Learning Where Heart Meets Mind*. Toronto: Educational Connections, 1991. ISBN 0-4444-555-6
 Gibbs, Jeanne. *Tribes: A Process for Social Development and Cooperative Learning*. Santa Rosa, 1996. ISBN 0-932762-08-5

Pedagogy – Internet

Innovation Teaching – <http://www.interserf.net/mcken/teacher.htm>

Interactive Curriculum – www.interactivecurriculum.com

This site provides completed units, appendices, and tests.

Pedagonet – <http://www.pedagonet.com/>

This site offers an innovative search engine, which facilitates the exchange of learning resources.

Premier Tracks – <http://4teachers.org/premier/>

A collection of K-12 web-based lessons for a variety of subject areas created by SCR*TEC's TrackStar.

School Net – <http://www.schoolnet.org>

This site is dedicated to serving the interests of students, parents, and educators regarding every facet of education.

Teacher Talk – <http://www.mightymedia.com/ttalk/index.asp>

This site provides a discussion area for teachers related to technology instruction.

Safety

Canadian site for occupational Health and safety – www.ccohs.ca/

General Resources

D'Amico, V., T. Palmer, and T. D'Amico. *Principles of Accounting*, 2nd ed. Toronto: Copp Clark Pitman, 1994. ISBN 0-7730-5264-X

D'Amico, V., T. Palmer, and T. D'Amico. *Principles of Accounting*, 3rd ed. Toronto: Pearson Education Inc., 2002. ISBN 0-13-034090-1

Toste, Joseph et al. *Accounting for the Workplace I: Service Business*. Hamilton: Norbry Publishing Limited, 2002. ISBN 1-55232-057-X. Student Workbook 1-55232-059-6. Teacher CD 1-55232-063-4

Freedman, H., J. Toste, and C. Barr. *Learning Simply Accounting, 8.0*. Hamilton: Norbry Publishing Limited, 2000. ISBN 1-55232-042-1

Heaney, Christine and Claudette Edie, *MYOB, version 8, a simulation approach*. Terra Cotta, Ontario: Norbry Publishing Ltd., 1998. ISBN 1-55232-028-4

Horngren, Charles T., Walter T. Harrison, L. Smith Bamber, and W. Morley Lemon. *Financial Accounting*, 4th ed. Scarborough: Prentice Hall Canada Inc., 1999. ISBN 0-13-106170-4

Ireland, Tim. *School Accounting Modules CGA – Canada, 2000*. ISBN 1-55219-287-3

Larson, Kermit D, J. Wild, B. Chiapetta, M. Nelson, R. Carroll, and M. Zin. *Fundamental Accounting Principles*, 9th ed. Toronto: McGraw Hill Ryerson, 1999. ISBN 0-07-560-480-9

Meigs, Robert F., W. B. Meigs, and W. Lam. *Accounting: the Basis for Business Decisions*, 8th ed. Toronto: McGraw Hill Ryerson Limited, 1999. Volume 1. ISBN 0-07-560501-5, Volume 2. ISBN 0-07-560502-3

Monarch Books of Canada. *Learning Corel WordPerfect Suite 8*. DDC Computer Applications books. Catalogue 1562435906 (This includes Quattro Pro 8)

Monarch Books of Canada. *Learning Microsoft Excel 97*. DDC Computer Applications books. Catalogue 1562434411

Palmer, T., V. D'Amico, and D. Grace. *Accounting for Canadian Colleges*, 3rd ed. Toronto: Pearson Education Canada Inc., 2001. ISBN 0-201-70306-8

Purbhoo, Mary and Dhirajlal Purbhoo. *Using Simply Accounting Version 8.0 for Windows, an Integrated Simulation*. Toronto: Addison Wesley Longman Ltd., 2000.

Slater, Jeffrey and Brian Zwicker. *College Accounting: a Practical Approach*, 7th ed. Toronto: Prentice-Hall Canada, Inc., 2000. ISBN 0-13-020471-4

Syme, G.E. and I. Ireland. *Accounting I*, 6th ed. Toronto. Pearson Education Inc., 2002. ISBN 0-13-092332-X

Vale, Ruth and Rebecca Latif-Pembry. *Microsoft Excel 97*. Hamilton: Norbry Publishing Limited, 2000.

Weygandt, Jerry J., D. Kieso, and B. Trenholm. *Accounting Principles*, Vol. 1. Toronto: J. Wiley & Sons Canada Ltd., 1999. ISBN 0-471-64252-5

Wilson, Denis. *Basic Accounting, Principles and Procedures, Computerized Interactive Tutorial*. Terra Cotta, Ontario: Norbry Publishing, 1997. ISBN 1-55232-012-X

Internet

Accounting Activities – <http://www.angelfire.com/ks/tonyaskinner/acctgcms.html>

Accounting Activities – <http://www.swcollege.com/vircomm/gita/gita.html>,

Accounting activities from Southwestern Publishing

Accounting Education Resources – ANET – <http://www.csu.edu.au/anet/education/index.html>

Accounting Education Resources – <http://www.cob.ohio-state.edu/dept/fin/jobs/account.htm>,
subjects/bused_cur.html, Curricular Resources in Business Education

Accounting Learning Activities, Lyman – <http://lyman.dtc.millard.k12.ut.us/Acct/account.htm>

Accounting Monopoly – <http://www.geocities.com/CollegePark/Quad/5687/monopolyn.html>

Business Book Mall – <http://www.businessbookmall.com>

Business Education Curriculum Links – www.howard.k12.md.us/connections/highschool/bused.html

Canada Pension Plan – http://www.hrdc-drhc.gc.ca/isp/common/cpptoc_e.shtm

Careers in Accounting – www.cln.org

Education Planet – www.educationplanet.com

Government of Ontario – <http://www.2ontario.com/facts/fact08.asp#7>

Government of Ontario webpage with links dealing with Ontario labour costs.

Government of Ontario Employment Standards – <http://www.gov.on.ca/LAB/es/ese.htm>

Payroll Deductions – <http://www.ccra-adrc.gc.ca/tax/business/payroll/menu-e.html>

Links to payroll deduction tables and FAQs about payroll deductions.

Small Business Legal site – www.nolo.com/category/sb_home.html

Weygandt, Jerry J., D. Kieso, and B. Trenholm. *Accounting Principles*
– www.wiley.com/products/worldwide/canada/wegandt/stud/index.html

Work Place and Insurance Board Home Page – http://www.wsib.on.ca/wsib/wsibsite.nsf/public/home_e

Unit 1: The Accounting Cycle of the Service and Merchandise Business

Cluster 1.1

Print

Horngrén, Charles T., Walter T. Harrison, L. Smith Bamber, and W. Morley Lemon. *Financial Accounting*, 4th ed. Scarborough: Prentice Hall Canada Inc., 1999. p. 219. ISBN 0-13-790429-0

Sample review question

Wilson, Denis. *Basic Accounting, Principles and Procedures, Computerized Interactive Tutorial*. Terra Cotta, Ontario: Norbry Publishing, 1997. ISBN 1-55232-012-X

Computer program that teachers could use to assist in the review process.

Cluster 1.2, 1.3

Print

Horngrén, Charles T., Walter T. Harrison, L. Smith Bamber, and W. Morley Lemon. *Financial Accounting*, 4th ed. Scarborough: Prentice Hall Canada Inc., 1999. pp. 229-306. ISBN 0-13-790429-0

Larson, Kermit D., J. Wild, B. Chiapetta, M. Nelson, R. Carroll, and M. Zin. *Fundamental Accounting Principles*, 9th ed. Toronto: McGraw Hill Ryerson, 1999. ISBN 0-07-560-480-9

Meigs, Robert F., W. B. Meigs, and W. Lam. *Accounting, the Basis for Business Decisions*, 8th ed. Toronto: McGraw Hill Ryerson Limited, 1999. pp. 261-295, 492-493. Volume 1 ISBN 0-07-560501-5, Volume 2, ISBN 0-07-560502-3, Chapter 9 – Accounting on the Web

Weygandt, Jerry J., D. Kieso, and B. Trenholm. *Accounting Principles*, Vol. 1. Toronto: J. Wiley & Sons Canada Ltd., 1999. pp. 180-238, 394-95. ISBN 0-471-64252-5

Internet

Accounting Activity: Cost of Merchandise Sold – www.angelfire.com/ks/tonyaskinner/acctgcms.html,

Accounting activities from South Western Publishing – www.swcollege.com/vircomm/gita/gita.html

See under What's New – Internal Control Group Project

See under Current Assets/Cash – Internal Controls

- Go to the Mall and Shop for Internal Controls
- One Person Field Trip to Teach Internal Control
- Illustrating the Cost of Goods Sold Section
- Applying Ratio Analysis to Cash Management

Weygandt, Jerry J., D. Kieso, and B. Trenholm. *Accounting Principles*
– www.wiley.com/products/worldwide/canada/wegandt/stud/index.html

This exercise could be adapted to allow the student to use the Internet to learn about a company's inventory and calculate inventory turnover and day's sales in inventory ratio.

Cluster 1.3

Heaney, Christine and Claudette Edie. *MYOB, version 8, a simulation approach*. Terra Cotta, Ontario: Norbry Publishing Ltd., 1998. ISBN 1-55232-028-4

Ireland, Tim. *School Accounting Modules CGA – Canada 2000*. ISBN 1-55219-287-3

Unit 2: The GST, Retail Sales Tax, and Cash Flow Statements

Cluster 2.1

Print

Palmer, T., V. D'Amico, and D. Grace. *Accounting for Canadian Colleges*, 3rd ed. Toronto: Pearson Education Canada Inc., 2001. ISBN 0-201-70306-8, pp. 214-229.

Slater, Jeffrey and Brian Zwicker. *College Accounting: a Practical Approach*, 7th ed. Toronto: Prentice-Hall Canada, Inc., 2000. ISBN 0-13-020471-4, pp. 362-376, pp. 424-434.

Internet

CCRA – <http://www.ccra-adrc.gc.ca/tax/business/gsthst/menu-e.html> – includes guides, forms, and news from Canada Customs and Revenue Agency.

Cluster 2.2

Print

Palmer, T., V. D'Amico, and D. Grace. *Accounting for Canadian Colleges*. Toronto: Pearson Education Canada Inc., 2001. ISBN 0-201-70306-8, pp. 218-229.

Slater, Jeffrey and Brian Zwicker. *College Accounting: A Practical Approach*, 7th ed. Toronto: Prentice-Hall Canada, Inc., 2000. ISBN 0-13-020471-4, pp. 349-361.

Internet

Government of Ontario – <http://www.rev.gov.on.ca/tare/html/trierst.htm>

Webpage containing links to forms, documents and publications relating to Ontario Retail Sales Tax.

Cluster 2.3

Print

Print references for case studies for working capital, short-term solvency

D'Amico, V., T. Palmer, and T. D'Amico. *Principles of Accounting*, 2nd ed. Toronto: Copp Clark Pitman, 1994. ISBN 0-7730-5264-X, pp. 581-637.

Horngren, C.T., W.T. Harrison Jr., W.M. Lemon, and C.E. Dilworth. *Financial Accounting*, 2nd ed. Scarborough: Prentice-Hall Canada Inc., 1992. ISBN 0-13-106170-4, pp. 777-802.

Larson, K.D., W.W. Pyle, M. Zin, and M. Nelson. *Fundamental Accounting Principles*, 5th ed. Homewood: Richard D. Irwin, 1987. ISBN 0-256-03601-2, pp. 291-341, pp. 745-782.

Palmer, T., V. D'Amico, and D. Grace. *Accounting for Canadian Colleges*. Toronto: Pearson Education Canada Inc., 2001. ISBN 0-201-70306-8, pp. 373-401.

Slater, Jeffrey and Brian Zwicker. *College Accounting: a Practical Approach*, 7th ed. Toronto: Prentice-Hall Canada, Inc., 2000. ISBN 0-13-020471-4, pp. 223-265.

Syme, G.E. and I. Ireland. *Accounting I*, 5th ed. Scarborough: Prentice-Hall Canada Inc., 1993. ISBN 0-13-333825-8, pp. 582-649.

Cluster 2.4

Print

Ireland, Tim. *School Accounting Modules*. Vancouver: Certified General Accountants of Ontario, 2000. ISBN 1-55219-287-3

Purbhoo, Mary and Dhirajlal Purbhoo. *Using Simply Accounting Version 8.0 for Windows, an Integrated Simulation*. Toronto: Addison Wesley Longman Ltd., 2000.

Unit 3: Accounting Practices

Cluster 3.1

Print

Palmer, T., V. D'Amico, and D. Grace. *Accounting for Canadian Colleges*, 3rd ed. Toronto: Pearson Education Canada Inc., 2001. ISBN 0-201-70306-8, pp. 243-372.

Slater, Jeffrey and Brian Zwicker. *College Accounting: a Practical Approach*, 7th ed. Toronto: Prentice-Hall Canada, Inc., 2000. ISBN 0-13-020471-4, pp. 347-457.

Internet

Southwestern Publishing – <http://www.swcollege.com/vircomm/gita/gita22-1.html>

Special journals and subsidiary ledgers,

– http://www.swcollege.com/vircomm/gita/gita_cataldo.html

Special journals (flowchart illustrating what journal to use with each type of transaction).

Cluster 3.2

Print

Palmer, T., V. D'Amico, and D. Grace. *Accounting for Canadian Colleges*, 3rd ed. Toronto: Pearson Education Canada Inc., 2001. ISBN 0-201-70306-8, pp. 456-503.

Slater, Jeffrey and Brian Zwicker. *College Accounting: a Practical Approach*, 7th ed. Toronto: Prentice-Hall Canada, Inc., 2000. ISBN 0-13-020471-4, pp. 274-309.

Internet

Canada Pension Plan – www.hrdc-drhc.gc.ca/isp/common/cpptoc_e.shtml – a page.

CCRA – www.ccra-adrc.gc.ca/tax/business/payroll/menu-e.html

Links to Payroll deduction tables and FAQs about payroll deductions.

Employment Insurance – Employer's Corner http://www.hrdc-drhc.gc.ca/ae-ei/yrs/4.0_e.shtml

Government of Ontario – www.2ontario.com/facts/fact08.asp#7

Webpage with links dealing with Ontario labour costs.

Government of Ontario Employment Standards – www.gov.on.ca/LAB/es/ese.htm

Work Place & Insurance Board Home – www.wsib.on.ca/wsib/wsibsite.nsf/public/home_e

Cluster 3.3

Print

Ireland, Tim. *School Accounting Modules*. Vancouver: Certified General Accountants of Ontario, 2000. ISBN 1-55219-287-3

Purbhoo, Mary and Dhirajlal Purbhoo. *Using Simply Accounting Version 8.0 for Windows, an Integrated Simulation*. Toronto: Addison Wesley Longman Ltd., 2000.

Unit 4: Financial Analysis and Accounting Careers

Cluster 4.1

Internet

Quicken Canada – www.quicken.ca

Many links and features for company financial analyses, with a special section on small business.

Cluster 4.3

Professional Organizations

Each of these organizations has resources such as magazines and videos. They also have websites and sections to assist teachers and students. In particular, the speaker program from each organization is useful.

The Certified General Accountants of Ontario

240 Eglinton Avenue East, Toronto, Ontario, M4P 1K8 Contact Person: Lisa Morabito, Coordinator, School Programs. – (416) 322-6520 ext 257 lmorabito@cga-ontario.org – 1-888-837-2238

Website – www.cga-canada.org

The Institute of Chartered Accountants of Ontario 69 Bloor Street East, Toronto, M4W 1B3 Tel: (416)

962-1841 – Toll Free: 1-800-387-0735 - Fax: (416) 962-8900 Contact Person: Jill L. Axisa, Director,

Career Information Programs – jaxisa@icao.on.ca Website – <http://www.icao.on.ca>

The teacher is automatically eligible to become part of the Teacher Colleague Program with the Institute of Chartered Accountants of Ontario. For a nominal fee, the teacher receives CA Magazine monthly and the CICA Handbooks and updates. This organization runs its own accounting contest.

The Society of Management Accountants of Ontario 70 University Avenue, Suite 300 Toronto, Ontario M5J 2M4

Contact Person: Gary D. Parsons, Manager of Secondary School Programs, (416) 204-3112

– gparsons@cma-ontario.org (416) 977-7741 – 1-800-387-2991 Ext. 112 – Fax (416) 977-6079

Website – www.cma-canada.org

The Society of Management Accountants of Ontario, Members Handbook is available to teachers.

This organization also runs its own contest and offers scholarships.

Unit 5: Computerized Accounting Procedures

Clusters 5.1 and 5.2

Software

MYOB 9.0 – <http://www.myob.ca>

QuickBooks2000 – Intuit of Canada – <http://www.intuit.com>

Simply Accounting 8.0 – Computer Associates, Licensed by the Ministry of Education. Information is available at – <http://www.osapac.org>

Software Support

Freedman, H., J. Toste, and C. Barr. *Learning Simply Accounting, 8.0*. Hamilton: Norbry Publishing Limited, 2000. ISBN 1-55232-042-1

Heaney, Christine and Claudette Edie. *MYOB Version 9.0, a Simulated Approach*. Hamilton: Norbry Publishing Limited, 2000. ISBN 1-55232-044-8

Ireland, Tim. *School Accounting Modules*. Vancouver: Certified General Accountants of Ontario, 2000. ISBN 1-55219-287-3

Monarch Books of Canada. *Learning Corel WordPerfect Suite 8*. DDC Computer Applications books. Catalogue 1562435906 (This includes *Quattro Pro 8*)

Monarch Books of Canada. *Learning Microsoft Excel 97*. DDC Computer Applications books. Catalogue 1562434411

Purbhoo, Mary and Dhirajlal Purbhoo. *Using Simply Accounting Version 8.0 for Windows, an Integrated Simulation*. Toronto: Addison Wesley Longman Ltd., 2000.

Vale, Ruth and Rebecca Latif-Pembry. *Microsoft Excel 97*. Hamilton: Norbry Publishing Limited, 2000.

OSS Considerations

The Ontario Curriculum, Grades 11 and 12, Business Studies, 2000.

The Ontario Curriculum, Grades 9 to 12, Program Planning and Assessment, 2000.

The Ontario Curriculum, Grades 9 to 12, Choices Into Action: Guidance and Career Education Program Policy for Ontario Elementary And Secondary Schools, 1999.

Ontario Secondary Schools, Grades 9 to 12, Program and Diploma Requirements, 1999.

This course may be counted as an optional credit or an additional compulsory credit for diploma purposes.

Coded Expectations, Accounting for a Small Business, Grade 12, Workplace Preparation, BAN4E

The Service and Merchandising Businesses

Overall Expectations

- SMV.01 · demonstrate accounting skills related to the accounting cycle for a service business;
- SMV.02 · demonstrate accounting skills related to the accounting cycle for a merchandising business;
- SMV.03 · demonstrate an understanding of inventory control systems.

Specific Expectations

The Service Business

- SM1.01 – describe how Generally Accepted Accounting Principles (e.g., entity, cost concepts) and practices (e.g., cash accounting) apply to a service business;
- SM1.02 – demonstrate an understanding of the income statement for a service business;
- SM1.03 – demonstrate an understanding of the balance sheet for a service business;
- SM1.04 – demonstrate an understanding of closing entries and post-closing trial balance.

The Merchandising Business

- SM2.01 – describe how Generally Accepted Accounting Principles and practices apply to a merchandising business;
- SM2.02 – demonstrate the skills required to prepare an income statement with a detailed Cost of Goods Sold section;
- SM2.03 – demonstrate the skills required to prepare a classified balance sheet for a merchandising business;
- SM2.04 – demonstrate an understanding of the difference between the financial statements for a merchandising business and those for a service business.

Inventory Control Systems

- SM3.01 – demonstrate fundamental skills related to the timing and taking of physical inventory;
- SM3.02 – analyse the various transactions for a merchandising company by using a periodic inventory system;
- SM3.03 – demonstrate an understanding of inventory turnover;
- SM3.04 – demonstrate an understanding of the perpetual inventory control system;
- SM3.05 – demonstrate an understanding of the principles involved in safeguarding inventory;
- SM3.06 – explain the differences between the periodic and perpetual inventory methods;
- SM3.07 – explain how inventory reports are enhanced by using appropriate software;
- SM3.08 – demonstrate proficiency in applying inventory accounting methods through the use of accounting software.

Accounting Practices

Overall Expectations

- APV.01 · demonstrate an understanding of specialized journals and subsidiary ledgers;
- APV.02 · describe payroll practices;
- APV.03 · explain ways in which technology is used in the accounting function of a business.

Specific Expectations

The Special Journal System

AP1.01 – explain the purpose of specialized journals;

AP1.02 – explain the purpose of subsidiary ledgers;

AP1.03 – demonstrate how technology is used to enhance special journal systems.

Payroll Practices

AP2.01 – describe payroll documentation;

AP2.02 – explain various employee compensation schemes (e.g., hourly, piecework, commission, salary, incentive);

AP2.03 – describe payroll deductions;

AP2.04 – demonstrate skills in using software to handle payroll remittance transactions;

AP2.05 – evaluate the advantages and disadvantages of outsourcing the payroll function (e.g., costs and benefits).

Computerized Accounting Procedures

AP3.01 – describe the importance of computer skills in the accounting function of a business;

AP3.02 – explain the need for electronic security systems, data protection, and backup for accounting records;

AP3.03 – demonstrate the advantages of recording transactions by using accounting software;

AP3.04 – describe the impact of business growth on the need to convert accounting procedures from manual to computerized systems.

The GST, Retail Sales Taxes, and Cash-Flow Statements

Overall Expectations

TSV.01 · demonstrate an understanding of accounting procedures for the goods and services tax;

TSV.02 · demonstrate an understanding of accounting procedures for the retail sales tax;

TSV.03 · demonstrate an understanding of procedures for cash management.

Specific Expectations

The Goods and Services Tax

TS1.01 – demonstrate an understanding of transactions related to the goods and services tax;

TS1.02 – describe the process of preparing basic federal tax documents;

TS1.03 – demonstrate an understanding of how software can be used to prepare goods and services tax transactions.

The Retail Sales Tax

TS2.01 – demonstrate an understanding of transactions related to the retail sales tax;

TS2.02 – describe the process of preparing retail sales tax documents;

TS2.03 – demonstrate an understanding of how software can be used to prepare retail sales tax transactions.

Cash Management

TS3.01 – analyse the importance of cash-flow statements;

TS3.02 – prepare an analysis of cash-flow statements by using electronic tools;

TS3.03 – explain the use of a cash-flow statement for a merchandising business;

TS3.04 – demonstrate an understanding of internal cash-control procedures;

TS3.05 – demonstrate how working capital can be used to finance growth and sustain a business during economic downturns.

Financial Analysis and Accounting Careers

Overall Expectations

FAV.01 · demonstrate the skills required to interpret financial information;

FAV.02 · demonstrate the skills required to analyse job costs and profitability;

FAV.03 · produce a summary of professional accounting designations and career opportunities.

Specific Expectations

Financial Analysis

FA1.01 – demonstrate an understanding of the major elements of a corporate annual report;

FA1.02 – analyse the financial status of a business (e.g., profitability, scope for expansion) on the basis of a review of the financial statements;

FA1.03 – identify and describe the current and projected financial strength of a business (e.g., by examining key indicators such as liquidity and accounts receivable turnover);

FA1.04 – demonstrate an understanding of the various uses of financial data (e.g., by a potential investor or by a creditor).

Production Costs and Profitability

FA2.01 – analyse the effect of fluctuations in labour costs on profitability;

FA2.02 – analyse the effect of fluctuations in material costs on profitability;

FA2.03 – analyse the effect of fluctuations in overhead costs on profitability;

FA2.04 – explain how profit or loss on a specific job is determined.

Accounting Careers

FA3.01 – describe educational opportunities in accounting;

FA3.02 – describe current issues in accounting careers, using electronic tools;

FA3.03 – identify career opportunities in accounting.

Unit 1: The Accounting Cycle of the Service and Merchandise Business

Time: 25 hours

Unit Description

In Unit 1 students demonstrate accounting skills related to the accounting cycle for a service business. They then demonstrate an understanding of inventory control systems and accounting skills related to the accounting cycle for a merchandising business.

The prerequisite course, BAI3E, familiarizes the student with the service business accounting cycle and the corresponding Generally Accepted Accounting Principles (GAAPs). Activity 1 can serve as a review of those concepts. It is recommended that the teacher administer a diagnostic appraisal/test. A solution template could be provided for the students to check their completed work. (See Resources.) Activity 2 introduces students to the difference between a service and a merchandising business. Activity 3 takes the accounting cycle for a merchandising business through to its conclusion of statement preparation, including a classified balance sheet. Throughout the unit the applicable GAAPs for a merchandising business are addressed.

Unit Synopsis Chart

Activity	Time	Learning Expectations	Assessment Categories	Tasks
1.1 The Service Business	7 hours	SMV.01, SM1.01, SM1.02, SM1.03, SM1.04	Knowledge/ Understanding Thinking/Inquiry Application Communication	<ol style="list-style-type: none"> 1. The business cycle of the service business 2. Generally accepted accounting principles 3. The service business income statement and balance sheet 4. Closing entries and the post-closing trial balance
1.2 Inventory Control Systems	7 hours	SMV.02, SMV.03, SM2.01, SM2.02, SM3.01, SM3.02, SM3.03, SM3.05	Knowledge/ Understanding Thinking/Inquiry Application Communication	<ol style="list-style-type: none"> 1. Physical inventory measurements in a merchandising firm 2. Accounting entries for the periodic inventory system 3. Inventory control systems 4. The cost of goods sold section in an income statement 5. Inventory turnover 6. Generally accepted accounting principles in the merchandising business
1.3 The Merchandising Business	11 hours	SMV.02, SMV.03, SM2.01, SM2.03, SM2.04, SM3.06, SM3.04, SM3.07, SM3.08	Knowledge/ Understanding Thinking/Inquiry Application Communication	<ol style="list-style-type: none"> 1. Comparison of financial statements of the service business and the merchandising business 2. The classified balance sheet of a merchandising business 3. The differences between the periodic and the perpetual inventory methods 4. GAAPs and the merchandising business 5. Computer software for inventories

Activity 1.1: The Service Business

Time: 7 hours

Description

Activity 1.1 is a seven-hour review of the service business accounting cycle and the corresponding GAAPs. The teacher introduces the unit with a discussion of various service businesses to students and the role of accounting in these industries. He/she may administer a diagnostic appraisal/test to assess student retention and serve as a review. As an alternative, the teacher could obtain a video that covers the basics of accounting, including GAAPs, to the closing of the books. (Appendix 1.1.1 contains review questions that could be answered with or without the video. When they are completed, they could serve as review notes.) The video, if used, could be interspersed with either an exercise/problem or a project that includes each of the steps in the service accounting cycle. If all or part of a large project is chosen, it is suggested that students be divided into groups of four. Each member would be assigned a task, e.g., journalizing clerk, posting clerk, team recorder, and supervisor. By assigning specific tasks, each member can be assessed on their contribution. At the completion of the problem/project, the students may also complete peer assessment of the team process. One student in the class could be appointed accounting manager and the solution template could be given to this student. It would be the responsibility of the team supervisors to report to the accounting manager to compare their work. The teacher directs formative assessment through team meetings. A short report could be prepared on the financial status of the company.

Strand(s) & Learning Expectations

Strand(s): The Service and Merchandising Business, Accounting Practices

Overall Expectations

SMV.01 - demonstrate accounting skills related to the accounting cycle for a service business.

Specific Expectations

SM1.01 - describe how Generally Accepted Accounting Principles (e.g., entity, cost concepts and practices (e.g., cash accounting) apply to a service business;

SM1.02 - demonstrate an understanding of the income statement for a service business;

SM1.03 - demonstrate an understanding of the balance sheet for a service business;

SM1.04 - demonstrate an understanding of closing entries and post-closing trial balance.

Prior Knowledge & Skills

- Service business accounting cycle and corresponding Generally Accepted Accounting Principles (GAAPs) from BAI3E

Planning Notes

- Prepare diagnostic (appraisal) test and marking template.
- Obtain video (if chosen) and prepare worksheet (Appendix 1.1.1).
- Choose all encompassing problem/project.
- If teams are to be used, group students to provide a good working relationship.
- Prepare a solution template and choose a method of team/peer assessment.
- Assign dates for team meetings and completion.
- Obtain *Oral Report Checklist* from Introduction to International Business, BBB4M (Public) for financial oral report or *Written Report Rubric*, from BTX4E (Public) at www.curriculum.org.

Teaching/Learning Strategies

The teacher:

- explains what methods of assessment will be used for the Activity: Diagnostic assessment to determine retention of concepts, including GAAPs; Formative assessment on completion of worksheet and solution to problems/projects; team meetings; peer assessment of team process, assessment tool for oral report on financial status of the company;
- provides diagnostic test and/or video and worksheet;
- assigns problems/projects (assigns teams of students and roles; appoints student accounting manager if used), and provides solution template;
- meets with each team to assess completion rate.

Students:

- complete diagnostic test and/or watch video and complete worksheet;
- complete problems/projects;
- assess peers, if assigned to a team.

Assessment & Evaluation of Student Achievement

Diagnostic

Knowledge/Understanding, Thinking/Inquiry, Application

Formative

- Self-, teacher assessment of completion of video worksheet and problem/project
- Self-assessment using *Written Report Rubric*, BTX4E (Public) at www.curriculum.org – analysis of financial status of company in problem/project
- *Oral Report Checklist*, (BBB4M Public) and peer assessment of team process, *Team Evaluation Chart*, (BTX4E Public)
- Team meetings

Summative

Teacher evaluation of report using: *Oral Report Checklist*, *Written Report Rubric*.

Accommodations

The following are ways in which the activity can meet students' individual needs:

- Encourage a wide variety of feedback during editing.
- Use peer tutoring to assist students who require more instruction.
- Assign tutorial from a CD-ROM (see Resources) for review.
- Allow all students to have a vocabulary sheet, as much of the language of this course is subject specific and therefore will not be re-enforced in other classes.
- Encourage process writing. Use a simple model for a paragraph
- Provide extra time during written evaluations.
- Provide a word list for the fill-in-the-blank exercises such as Review Notes. Provide teacher written and photocopied answers for student review prior to written evaluations.
- Reinforce vocabulary with word searches and matching exercises.
- For enrichment accommodations, allow the student to extrapolate the learning done in class to apply the theory to the real world.
- To make the process of Journal Entries more concrete, prepare the written transactions and journal so that students can see both simultaneously. (In a three ring binder – the transactions are on the left side and the journal is on the left side – draw coloured arrows between the transaction and the place it belongs on the journal.) The same outcome might be achieved by having transaction cue cards stuck on the chalkboard. Under teacher guidance have the students verbally describe and then place each transaction correctly in the journal.
- Additional accommodations are found in the *Ontario Curriculum Unit Planner 2001*.

Resources

Singleton, Larry and Wayne Label. *Accounting Study Sidekick (Workbook)* ISBN 1-886156-59-X
Workbook accompanies the video. It includes notes, quizzes, detailed glossary, tests, and in-depth explanations. Can be purchased with the video set listed in Overview Resources below.

Standard Deviants – http://www.standarddeviants.com/1-800-238-9669/cerebellum.show_subject?p_subject_id=11. Can choose a 35-question accounting test to download.

Student Learning Centre – <http://www.bboinc.com/actghome/studentlearningcenter.htm> – 18 good accounting tests covering the accounting cycle can be purchased. On-line chapter tests available for free.

Overview Resources

Bennett, B., C. Rolheiser-Bennett, and L. Stevahn. *Cooperative Learning Where Heart Meets Mind*. Toronto: Educational Connections, 1991 ISBN 0-444-555-6, p. 170.

Toste, Joseph et al. *Accounting for the Workplace I: Service Business*. Hamilton: Norbry Publishing Limited, 2002. ISBN 1-55232-057-X. Student Workbook 1-55232-059-6. Teacher CD 1-55232-063-4

Horngren, Charles T., W. T. Harrison, L. Smith Bamber, and W. Morley Lemon. *Financial Accounting*, 4th ed. Scarborough: Prentice Hall Canada Inc., 1999. ISBN 0-13-790429-0, sample review question, p. 218.

Singleton, Larry and Wayne Label. *The Standard Deviants – Accounting Semester Survival Pack (Accounting, Parts 1 & 2.)* Cerebellum Corp., 1997. ISBN 1-48198-000-0 – available through – www.businessbookmall.com. Two-video set includes a workbook that is set up to accompany video; includes written examples, practice tests, and quizzes.

Wilson, Denis. *Basic Accounting, Principles and Procedures, Computerized Interactive Tutorial*. Terra Cotta, Ontario: Norbry Publishing, 1997. ISBN 1-55232-012-X – computer program that teachers could use to assist in the review process.

Appendix 1.1.1

Review Notes (May accompany video)

1. Accounting is the art of _____, classifying, and summarizing events and _____ of a financial nature and interpreting the results.
2. The accountant's job is: a) look at _____ transactions, b) decide how to record _____ and c) compile _____ statements.
3. What are GAAPs? Why are they required?
4. Describe the following three important GAAPs: Business Entity Concept, Cost Principle, and Matching Principle.
5. What are the three types of business organizations? List the advantages and disadvantages of each.
6. Accounts are the building blocks of accounting. Why are they created?
7. Accounts are grouped into five different types or classifications. List them. Define assets and liabilities. List examples of accounts in each and explain what they are.
8. Owner's equity is the term used for the owner's _____ in the business and _____ a business has accumulated. Owner's equity tallies the dollar amount of _____ in the owner's stake in the company. How does the owner's equity change from a sole proprietorship to a corporation?
9. Define the terms *revenue* and *expense*? How does each affect owner's equity?
10. What are financial statements? What are they used for? What are the important financial statements?
11. Describe each financial statement and describe how they differ/relate.
12. What is the underlying assumption of the account form of the balance sheet?
13. What is the fundamental accounting equation? Each side of the accounting equation must _____ after each transaction.
14. Accountants must analyse financial events that affect a business. They are called _____ transactions. Internal transactions are _____ and closing entries. External transactions are financial events that take place between an outside party and a business. Some examples of external transactions are.
15. Describe the double entry concept of the accounting entry and how it must balance. Record the following transactions in general journal form and post to T-accounts. (a) Owner invests \$13 300 into the company. (b) Purchase \$100 in supplies for cash. (c) Purchase of a truck and a satellite dish for \$100 000 with \$10,000 cash and obtains a mortgage for \$90 000. (d) Purchase of office equipment for \$5000, pays \$2000 cash and puts \$3000 on account.

Appendix 1.1.1 (Continued)

16. What are accounting periods? How can they be divided? What happens at the end of the period? What is the accrual method versus the cash method of accounting? What GAAP does the accrual method follow? Why is it more accurate? Give an example. Why don't most companies use the cash basis?
17. Accounts are kept in a ledger. What is the definition of a ledger? What is a T-Account and what is it used for? What is the left and right side account called? What is the account balance? What is the usual account balance for Assets? Liabilities? Owner's equity? Revenue? and Expenses? On which side (DR, CR) does each type increase?
18. Define general journal. What is important about it? What information does it contain? What is the chart of accounts and what is the posting reference used for? List the steps and rules of preparing a journal entry.
19. Once a transaction is journalized in the general journal, the next step in the accounting cycle is transferring or _____ the entry to the ledger. How is it different from the general journal? Describe the balance column format. What is posting to the ledger? What are the steps in transferring from the journal to the ledger?
20. When the posting is completed, what statement is prepared? Why is it prepared? What does it not check?
21. What entries must be prepared at the end of an accounting cycle before the financial statements are completed? Why are they done? What principle does it satisfy? List two examples.
22. Define depreciation. Why must it be expensed? What statement does accumulated depreciation show up on? Why is it a contra asset? Why are separate accounts kept for each depreciated item?
23. What is unearned revenue?
24. Worksheets are helpful for showing adjustments. (**Note:** The teacher could have an eight-column prepared worksheet inserted here to be completed by the student. It should include various adjustments.)
25. What is a classified balance sheet? What are the rules that define how each section is separated?
26. What accounts must be restarted to zero at the end of the accounting cycle? Describe and give examples of permanent versus temporary accounts. What accounts must be set to zero? To what account does an accountant transfer these amounts, to make these accounts zero? Describe the steps. What is it called when revenue exceeds an expense? What is the final step in the accounting cycle?

Answers to Fill in the Blank

1. recording, transactions
2. business, transactions, financial
8. investment, capital, changes
13. balance
14. business, adjusting
20. posting

Activity 1.2: Inventory Control Systems

Time: 7 hours

Description

Activity 1.2 introduces students to the difference between a service and a merchandising company. They learn the key role of inventory in a business that sells products, not services. They begin with the periodic inventory system and the calculation of Cost of Goods Sold (COGS), and complete a simulation of actual inventory process is. Through pictures and quantities of actual products, the COGS concept of opening inventory, purchases, purchase returns/discounts, and closing inventory is introduced. Once the simulation is completed, the students learn through a teacher-led demonstration how the transactions involved in inventory and the COGS, including journalizing, are carried out. The study of COGS is useful for analysis purposes and builds a foundation for the various inventory-costing methods in later accounting courses. A field trip to a store could be arranged to see how a company handles taking physical inventory, and to introduce the principles of safeguarding inventory and by inventory control systems. These two topics can also be addressed through a case study. Students use annual reports to compare inventory turnover rates of several different types of companies and complete a short oral/written report. Finally, through a teacher-led demonstration the concept of inventory turnover can be introduced and practised. For enrichment, a web activity could be developed that examines the turnover rates for various industries.

Strand(s) & Learning Expectations

Strand(s): The Service and Merchandising Business

Overall Expectations

SMV.02 - demonstrate accounting skills related to the accounting cycle for a merchandising business;
SMV.03 - demonstrate an understanding of inventory control systems.

Specific Expectations

SM2.01 - describe how Generally Accepted Accounting Principles and practices apply to a merchandising business;
SM2.02 - demonstrate the skills required to prepare an income statement with a detailed Cost of Goods Sold section;
SM3.01 - demonstrate fundamental skills related to the timing and taking of physical inventory;
SM3.02 - analyse the various transactions for a merchandising company by using a periodic inventory system;
SM3.03 - demonstrate an understanding of inventory turnover;
SM3.05 - demonstrate an understanding of the principles involved in safeguarding inventory.

Prior Knowledge & Skills

- Before proceeding with this activity, Activity 1.1 should be completed.
- Students should have a thorough knowledge and understanding of the accounting cycle for a service business.

Planning Notes

- To demonstrate COGS the teacher, will need to pre-label and pre-fill bags with marbles. For each group, three bags (beginning inventory, purchases, and merchandise sold) need to be labelled. Photocopy student worksheets (See details in Appendix 1.2.1).
- The teacher may wish to photocopy/prepare general journal pages, income statement forms, and balance sheets forms for the students. For presentation/instructional purposes, the teacher may wish to prepare overheads of these forms.

-
- Book computers with Internet capabilities for students to research inventory turnover rates.
 - Prepare solution sheets and assessment tools. Students should receive the assessment tools prior to beginning the activity.

Teaching Learning Strategies

Activity 1.2.1 Taking a Physical Inventory and Calculating Cost of Goods Sold

The teacher:

- introduces the topic of a merchandising business. One method is to make a list of service businesses on the board and then a separate list of merchandising businesses. The teacher should then ask students to explain how the businesses in the two lists differ. A teacher-led discussion should lead to the definition of “merchandise” and its physical flow (purchased and ultimately sold);
- prepares Appendix 1.2.1 for students;
- organizes supplies needed for each team: three small plastic lunch bags and a box of multi-coloured marbles;
- labels one bag “Beginning Inventory” and places approximately one-third of the contents of the marble box in the lunch bag. The teacher labels a second lunch bag “Purchases” and fills it with the remainder of the marble box. The third lunch bag is to be labelled “Merchandise Sold” and should be empty at the beginning of the simulation.

Students:

- first count and value beginning inventory according to the cost given in Appendix 1.2.1. The teacher can vary costs and colours depending on preferences and circumstances;
- then count and value the contents of the purchases. Students combine their valuation of beginning inventory and purchases to arrive at total cost of merchandise available for sale. Combine the beginning inventory and purchases bags;
- remove a handful of marbles and place it in the “Merchandise Sold” bag;
- then count and value the remaining marbles as Ending Inventory. Students calculate cost of goods sold based on their count of ending inventory and their previous calculation of total cost of merchandise available for sale;
- as a final step students should count and value the “Merchandise Sold” bag.

A teacher-led discussion should follow to determine that while the “Cost of Merchandise Sold” (which of course can not be physically counted after the fact) should hypothetically equal “Cost of Goods Sold,” this is not always the case. The teacher-directed discussion should generate different causes of shrinkage (theft by employees, theft by shoplifters, lost, damaged and discarded goods, and miscounted inventory) and how such problems can be controlled.

Short case studies assigned to small student teams are used to generate discussion and oral reporting on correct inventory control procedures (see Resources).

Activity 1.2.2 Transactions for a Merchandising Company using a Periodic Inventory System

Note: provincial retail sales tax and the federal Goods and Services Tax have not been introduced at this point.

The teacher:

- introduces the accounts that are unique to a merchandising business (See Appendix 1.2.2);
- demonstrates common transactions using the merchandising accounts without introducing the use of Sales Discounts and Purchases Discounts (See Appendix 1.2.3);
- introduces cash discounts and demonstrates transactions using the sales discounts and purchases discounts accounts (See Appendix 1.2.5).

Students:

- complete practice transactions using the previous teacher demonstration as their guide. (See Appendix 1.2.4 and Appendix 1.2.6.)

Activity 1.2.3 The Income Statement with a Detailed Cost of Goods Section

The teacher:

- reviews the basic calculation of cost of goods sold and introduces the calculation of gross profit and net income/loss for a merchandising business;
- demonstrates the completion of a multi-step income statement (and balance sheet) based on a trial balance (See Appendix 1.2.7).

Students:

- complete practice exercises using the previous teacher demonstration as their guide (See Appendix 1.2.8).

Activity 1.2.4 Activity: Inventory Turnover

The teacher:

- introduces the ratio/calculation of inventory turnover and its importance as a measure of the marketability of a company's inventory and the speed with which a business can convert this asset to cash. Examples could help illustrate this concept. Financial statements from two competing companies can be used for comparative purposes.
- Ensures that school and board policies related to use of the Internet are followed.

Students:

- complete an exercise electronically. They choose or are assigned a listed company on the Toronto Stock Exchange (TSE). Using the web site – www.globeinvestor.com/, they obtain a company snapshot and a list of companies in the same industry listed on the Toronto Stock Exchange.
- compile the inventory turnover for three to four related companies during their last fiscal year. The teacher can request that students compile additional information for each company (sales and net income).
- use websites such as – www.fin-info.com/, which provide Canadian company profiles for many large Canadian companies, e.g., websites like Wright Investors' Services. Research reports from companies such as Wright Investors' Services provide the inventory turnover rate already calculated for the last fiscal year and often compare it to the company's previous fiscal year's performance.
- complete a short oral/written report comparing the companies they have researched. *Oral Report Checklist* from Activity 1.1 and a *Written Report Rubric* found in BTX4E (Public) at www.curriculum.org are available for formative student assessment.

Assessment & Evaluation of Student Achievement

Formative

Self- and teacher assessment

- Check exercises/activities using solution sheets.
- Whole class or group discussion of short cases on inventory control and the report on inventory turnover.
- *Oral Report Checklist, Written Report Rubric.*
- Feedback from peers or teacher or oral/written report to make revisions before submission for teacher evaluation

Summative

Teacher Evaluation

- Test
- *Oral Report Checklist, Written Report Rubric.*

Accommodations

- The teacher may wish to pair stronger students with students needing assistance
- Student work might be submitted either on a photocopied sheet where the answers can be written in, or done on a spreadsheet (in which case the student's working copy might either show the formulae or explain what was done in simple language for ease of study).
- The teacher may wish to supply some students with copies of the completed transactions. Additional examples may need to be presented to the class for reinforcement of learning.

Resources

Activity 1.2.1

Angelfire – Tonya Skinner – <http://www.angelfire.com/ks/tonyaskinner/acctgcms.html> – web page with Cost of Goods Sold/Inventory simulation.

Activity 1.2.2, 1.2.3

Palmer, T., V. D'Amico, and D. Grace. *Accounting for Canadian Colleges*, 3rd ed. Toronto: Pearson Education Canada Inc., 2001. ISBN 0-201-70306-8, pp. 183-242.

Activity 1.2.4

Advice to Investors – <http://www.fin-info.com/>

Big Charts – <http://bigcharts.marketwatch.com/>

Globe and Mail Investment – <http://www.globeinvestor.com/>

MSN Money – <http://money.msn.ca/>

Yahoo Finance – <http://ca.finance.yahoo.com/>

Appendix 1.2.1

Marbles Stand Cost of Merchandise Sold							
January 1 Inventory			Quantity	Unit Cost		Value	
	Red			X	\$2	=	
	Orange			X	\$3	=	
	Brown			X	\$5	=	
	Green			X	\$1	=	
	Yellow			X	\$4	=	
January 1 Inventory = \$							\$
Purchases			Quantity	Unit Cost		Value	
	Red			X	\$2	=	
	Orange			X	\$3	=	
	Brown			X	\$5	=	
	Green			X	\$1	=	
	Yellow			X	\$4	=	
					+ Purchases		\$
Total Cost of Merchandise Available for Sale (Inventory + Purchases) = \$							

Marbles Stand Cost of Merchandise Sold							
December 31 Inventory			Quantity	Unit Cost		Value	
	Red			X	\$2	=	
	Orange			X	\$3	=	
	Brown			X	\$5	=	
	Green			X	\$1	=	
	Yellow			X	\$4	=	
- December 31 Inventory =							\$
Total Cost of Merchandise Available for Sale - December 31 Inventory = \$							
(This amount is the Cost of Merchandise Sold)							
Proof of Merchandise Sold			Quantity	Unit Cost		Value	
	Red			X	\$2	=	
	Orange			X	\$3	=	
	Brown			X	\$5	=	
	Green			X	\$1	=	
	Yellow			X	\$4	=	
					Cost of Merchandise Sold		\$
Do your totals match?							

Appendix 1.2.2

Accounts for a Merchandising Business

Purchases

- Account used to accumulate the cost of purchasing goods intended for resale
- **Cost of Goods Sold** account
- Dr. balance; Source Document – purchase invoice

Transportation on Purchases

- Account used to accumulate freight costs on merchandise from supplier (manufacturer) to your place of business
- **Cost of Goods Sold** account
- Dr. balance; Source Document – purchase invoice

Delivery Expense

- Account used to accumulate the cost of delivering goods to customers
- **Income Statement** accounts (contra-revenue account)
- Dr. balance; Source Document – purchase invoice

Purchases Returns and Allowances

- Account used to accumulate the cost of merchandise returned to suppliers (defective, damaged or not ordered) and the **allowances** given for defective or damaged goods not returned
- **Cost of Goods Sold** account (contra account to purchases)
- Cr. balance; Source Document – credit invoice received

Sales Returns and Allowances

- Account used to accumulate customer returns or allowances given to customers
- **Income Statement** account (contra-revenue account)
- Dr. balance; Source Document – credit invoice issued

Purchases Discounts

- Account used to record discounts received from suppliers for prompt payment of debts (within discount period)
- **Cost of Goods Sold** account (contra account to purchases)
- Cr. balance

Sales Discounts

- Account used to record discounts given to customers for prompt payment of accounts receivable
- **Income Statement** account (contra-revenue account)
- Dr. balance

Merchandise Inventory

- Account used to record the amount of merchandise on hand at the end and beginning of an accounting cycle
- Is a **current asset account**
- Dr. balance

Appendix 1.2.3

Journal Entries for a Merchandising Business: Instructions

Journalize the following transactions for Main Sports, a sporting goods store.

Jan. 2: Sales Invoice #101 to Mountain Hockey League for the sale of 100 hockey sticks. Amount \$2000.

Jan. 3: Sales Invoice #102 to Central Hockey League for the sale of 30 pairs of hockey gloves. Amount \$1200.

Jan. 4: Purchase Invoice received from TNT Sports, for the purchase of merchandise. Amount \$1000.

Jan. 5: Purchase Invoice from Dan's Delivery for the cost of transporting hockey sticks on sales invoice #101. Amount \$10.

Jan. 6: Purchase Invoice from Karl's Delivery for the cost of transporting merchandise from TNT Sports to Main Sports. Amount \$52.

Jan. 7: Purchase Invoice received from ATM Sports, for the purchase of merchandise. Amount \$500.

Jan. 9: Credit Invoice received from TNT Sports for the return of merchandise that was received in damaged condition. Amount of credit invoice, \$300.

Jan. 11: Credit Invoice #35 issued to Mountain Hockey League for the return of 10 hockey sticks that were received by the MHL in damaged condition. Amount \$200.

Jan. 13: Cash receipt from Central Hockey League in payment of invoice #102.

Jan. 15: Cheque #501 issued to ATM Sports in payment of invoice of January 7.

Jan. 19: Cheque #502 issued to TNT Sports in payment of invoice of January 4, less credit invoice of January 9.

Jan. 20: Cash receipt from Mountain Hockey League in payment of sales invoices #101, less credit invoice of January 11.

Appendix 1.2.4

Journal Entries for a Merchandising Business: Student Practice

Journalize the following transactions for Main Sports, a sporting goods store.

Feb. 2: Sales Invoice #301 to North-End Lacrosse League for the sale of 100 lacrosse sticks. Amount \$4000.

Feb. 3: Sales Invoice #302 to Central Lacrosse League for the sale of 30 pairs of lacrosse gloves. Amount \$1440.

Feb. 4: Purchase Invoice received from LCM Sports, for the purchase of merchandise. Amount \$1800.

Feb. 5: Purchase Invoice from Bob's Delivery for the cost of transporting merchandise from LCM Sports to Main Sports. Amount \$87.

Feb. 6: Purchase Invoice from Helmut's Delivery for the cost of transporting lacrosse sticks on sales invoice #301. Amount \$60.

Feb. 7: Purchase Invoice received from APC Sports, for the purchase of merchandise. Amount \$780.

Feb. 9: Credit Invoice #12 issued to North-End Lacrosse League for the return of 10 lacrosse sticks that were received by the NELL in damaged condition. Amount \$400.

Feb. 11: Credit Invoice received from LCM Sports for the return of merchandise that was received in damaged condition. Amount of credit invoice, \$450.

Feb. 13: Cash receipt from Central Lacrosse League in payment of invoice #302.

Feb. 15: Cheque #201 issued to APC Sports in payment of invoice of February 7.

Feb. 19: Cheque #202 issued to LCM Sports in payment of invoice of February 4, less credit invoice of February 11.

Feb. 20: Cash receipt from North-End Lacrosse League in payment of sales invoices #301, less credit invoice of February 9.

Appendix 1.2.5

Journal Entries for Sales Discounts and Purchases Discounts: Instructions

Journalize the following transactions for Main Sports, a sporting goods store.

Jan. 2: Sales invoice #501 to Mountain Ski Club for the sale of 10 downhill ski sets. Amount \$3 500. Terms 2/10, net 30.

Jan. 3: Purchase invoice from ZAP Sports, for the purchase of 12 pairs of skis. Amount \$1440. Terms 2/10, net 30.

Jan. 4: Purchase invoice from AAA Sports, for the purchase of 10 pairs of ski gloves. Amount \$280. Terms 1/10, net 30.

Jan. 9: Sales invoice #502 to Central Ski Club for the sale of 4 cross-country ski sets. Amount \$840. Terms 1/10, net 30.

Jan. 10: Credit Invoice received from AAA Sports for the return of 2 pair of ski gloves that were received in damaged condition. Amount of the credit invoice, \$56. Credit period is readjusted so that the original terms offered on January 4 now apply starting January 10.

Jan. 11: Credit Invoice #41 issued to the Mountain Ski Club, \$350, for the return of goods received by the ski club in damaged condition. Credit period is readjusted so that the original terms offered now apply to January 11, not January 2.

Jan. 13: Cheque #100 issued to ZAP Sports in payment of purchase invoice originally dated January 3. Discount taken.

Jan. 18: Cash receipt from the Central Ski Club in full payment of invoice #502. Discount taken.

Jan. 19: Cheque #101 issued to AAA Sports in payment of purchase invoice originally dated January 4, less allowance. Discount taken.

Jan. 20: Cash receipt from Mountain Ski Club in payment of sales invoice #501, less allowance. Discount taken.

Appendix 1.2.6

Journal Entries for Sales Discounts and Purchases Discounts: Student Practice

Journalize the following transactions for Main Sports, a sporting goods store.

Feb. 1: Sales invoice #901 to Western Running Club (WRC) for the sale of 50 cross trainers. Amount \$2050. Terms 1/10, net 30.

Feb. 5: Purchase invoice from Runn Sports, for the purchase of 100 wind jackets. Amount \$2,100. Terms 2/10, net 30.

Feb. 6: Sales invoice #902 to Mountain Running Club (MRC) for the sale of 19 team uniforms. Amount \$1881. Terms 2/10, net 30.

Feb. 7: Purchase invoice from ZZZ Sports, for the purchase of 12 pairs of running gloves. Amount \$120. Terms 1/10, net 30.

Feb. 9: Credit Invoice received from ZZZ Sports for the return of 2 pairs of running gloves that were received in damaged condition. Amount of the credit invoice, \$20. Credit period is readjusted so that the original terms offered on February 7 now apply starting February 9.

Feb. 10: Credit Invoice #7 issued to the WRC, \$240, for the return of goods received by the club in damaged condition. Credit period is readjusted so that the original terms offered now apply to February 10, not February 1.

Feb. 13: Cheque #210 issued to Runn Sports in payment of purchase invoice originally dated February 5. Discount taken.

Feb. 16: Cash receipt from the MRC in full payment of invoice #902. Discount taken.

Feb. 19: Cheque #211 issued to ZZZ Sports in payment of purchase invoice originally dated February 7, less allowance. Discount taken.

Feb. 20: Cash receipt from WRC in payment of sales invoice #901, less allowance. Discount taken.

Appendix 1.2.7

Financial Statements for a Merchandising Business: Instruction

Complete a detailed Income Statement and Balance Sheet for the year ending December 31.

ABC Stores Adjusted Trial Balance December 31, 2---		
	Dr.	Cr.
Cash	\$ 4870	
Beginning Inventory	31 335	
Store Supplies	225	
Office Supplies	120	
Prepaid Insurance	715	
Store Equipment	38 490	
Accumulated Depreciation: Store Equipment		\$10 295
Office Equipment	9420	
Accumulated Depreciation: Office Equipment		3620
Accounts Payable		2390
J. Smith, Capital		69 120
J. Smith, Drawings	21 000	
Sales		313 235
Sales Returns and Allowances	2125	
Sales Discounts	3875	
Purchases	220 460	
Purchases Returns and Allowances		1150
Purchases Discounts		3230
Transportation on Purchases	1875	
Salaries Expense	41 560	
Rent Expense	18 000	
Store Supplies Expense	1735	
Office Supplies Expense	310	
Depreciation Expense: Store Equipment	3910	
Depreciation Expense: Office Equipment	1170	
Insurance Expense	1845	
Totals	<u>\$403 040</u>	<u>\$403 040</u>

Note: Ending Merchandise Inventory: \$32 655

Appendix 1.2.8

Financial Statements for a Merchandising Business: Student Practice

Complete a detailed Income Statement and Balance Sheet for the year ending December 31.

XYZ Stores		
Adjusted Trial Balance		
December 31, 2---		
	Dr.	Cr.
Cash	\$ 4500	
Accounts Receivable	5400	
Beginning Inventory	28 800	
Supplies	5200	
Equipment	50 000	
Accumulated Depreciation: Equipment		\$5000
Building	150 000	
Accumulated Depreciation: Building		3000
Land	35 000	
Accounts Payable		38 000
Bank Loan (2 years)		63 300
P. Jones, Capital		150 000
P. Jones, Drawings	8000	
Sales		205 000
Sales Returns and Allowances	1850	
Sales Discounts	1450	
Purchases	89 000	
Purchases Returns and Allowances		1200
Purchases Discounts		1350
Transportation on Purchases	2500	
Salaries Expense	40 800	
Rent Expense	32 000	
Delivery Expense	3000	
Supplies Expense	1350	
Depreciation Expense: Equipment	5000	
Depreciation Expense: Building	3000	
Totals	<u>\$466 850</u>	<u>\$466 850</u>

Note: Ending Merchandise Inventory: \$31 200

Activity 1.3: The Merchandising Business

Time: 11 hours

Description

Activity 1.3 takes the accounting cycle for a merchandising business through to its conclusion: preparing statements, including a classified balance sheet. Students learn the difference between the periodic and perpetual inventory systems. Since the advent of the computer in business has made the perpetual system of inventory more common in the marketplace, the accounting for a perpetual system should be stressed. Students examine the role of the computer in keeping track of the flow of goods into and out of inventory; how using appropriate software enhances inventory reporting; and how management gains greater inventory information through the electronic process.

Students compare the financial statements of a service business with those of a merchandising firm. Students analyse the advantages and disadvantages of both inventory control systems. Subsequently, the teacher revisits the Generally Accepted Accounting Principles and their application specific to the merchandising firm (Matching Principle, the Time Period Concept, and the Consistency Principle). Finally, the students work with computer software on a variety of inventory transactions.

Strand(s) & Learning Expectations

Strand(s): The Service and Merchandising Business, Accounting Practices

Overall Expectations

SMV.02 - demonstrate accounting skills related to the accounting cycle for a merchandising business;
SMV.03 - demonstrate an understanding of inventory control systems.

Specific Expectations

SM2.01 - describe how Generally Accepted Accounting Principles and practices apply to a merchandising business;
SM2.03 - demonstrate the skills required to prepare a classified balance sheet for a merchandising business;
SM2.04 - demonstrate an understanding of the difference between the financial statements for a merchandising business and those for a service business;
SM3.04 - demonstrate an understanding of the perpetual inventory control system;
SM3.06 - explain the differences between the periodic and perpetual inventory methods;
SM3.07 - explain how inventory reports are enhanced by using appropriate software;
SM3.08 - demonstrate proficiency in applying inventory accounting methods through the use of accounting software.

Prior Knowledge & Skills

- Journalizing and posting transactions in a merchandising firm. The periodic inventory method. Skills in Simply Accounting developed in BAI3E. **Note:** BAF3M Course Profile contains a unit on Simply Accounting.

Planning Notes

- Photocopy instruction and worksheets for all tasks in Activity 1.3.
- Supply students with a classified three-column balance sheet.
- Arrange for the appropriate accounting software on computers: *Simply Accounting, Version 7 or 8*; *MYOB, Version 10* (these are Ministry licensed software packages), or any spreadsheet program.
- Prepare the appropriate sections of the accounting software (inventory).
- Photocopy software instructions, worksheets, and classified balance sheet paper and solution sheets.

Teaching/Learning Strategies

Activity 1.3.1

The teacher:

- presents the financial statements for a merchandising company together and a service business, (see Appendix 1.3.1);
- discusses the differences in the income statement and the balance sheet for the two types of firms.

Students:

- analyse the differences between the financial statements of the two types of firms.

Activity 1.3.2

The teacher:

- develops a classified balance sheet model using the balance sheet from Appendix 1.3.1. This can also be done as an overhead using Appendix 1.3.2;
- discusses the meaning of the different categories in the classified balance sheet;
- assigns practice exercises (see Appendix 1.3.3).

Students:

- actively participate in the discussion of the classified balance sheet;
- practise the set-up of a classified balance sheet using Appendix 1.3.3 and a classified three-column balance sheet.

Activity 1.3.3

The teacher:

- introduces the students to the fundamentals of the perpetual inventory method (see Appendix 1.3.4);
- assigns worksheet to student pairs (see Appendix 1.3.5);
- discusses answers to completed worksheets.

Students:

- take notes on the perpetual inventory method;
- complete worksheet in pairs (Appendix 1.3.5);
- discuss the answers to the completed worksheets.

Activity 1.3.4

The teacher:

- demonstrates the relevance of specific GAAPs such as the Matching Principle, the Time Period Concept, and the Consistency Principle in the context of the merchandising firm (see Resources);
- directs the students toward sources of GAAPs as presented by organizations such as the Accounting Standards Committee of the Canadian Institute of Chartered Accountants on the Internet (see Resources).

Students:

- take notes on the GAAPs as they pertain to the merchandising firm and research the sources where appropriate;
- compare notes and report their findings to the class.

Activity 1.3.5

The teacher:

- develops assignment for computer application of inventory transactions.
- prepares the appropriate sections in the commercially available inventory software packages for ready student use (see Resources);
- develops spreadsheets of a perpetual inventory system and journals/ledgers.

Students:

- use computer software for inventory transactions;
- submit computer output for evaluation.

Assessment & Evaluation of Student Achievement

Formative

Self- and teacher assessment

- completion of classified balance sheet exercise
- completion of perpetual inventory worksheet in pairs
- gathering and sharing GAAP material

Summative

- computer printouts (marking scheme)

Accommodations

The following are ways in which the activity can meet students' individual needs:

- Assign tutorial CD-ROM found in Resources to students who require review;
- Provide extension activities for students requiring enrichment.

Resources

Freedman, Harvey, Joseph Toste, and Catherine Barr. *Learning Simply Accounting 8.0, a simulation approach*. Hamilton: Norbry Publishing Limited, 2000. ISBN 1-55232-042-1. Chapters 8 and 9, Inventory Modules.

Fuhrman, Peter H. and André N. Choquette. *Using Simply Accounting for Windows, Version 7.0*. Scarborough: Prentice-Hall Canada Inc., 2000. ISBN 0-13-021715-8. Chapter 8 and Chapter 14, section 9, Inventory.

Heany, Christie and Claudette Edie. *MYOB Version 10, a Simulation Approach*. Hamilton: Norbry Publishing Limited, 2001. ISBN 1-55232-070-7, Chapters 4 (Inventory Setup) and 13 (Working with Inventory).

Purbhoo, Mary and Dhirajlal Purbhoo. *Using Simply Accounting Version 8.0 for Windows, an Integrated Simulation*. Toronto: Addison Wesley Longman Ltd., 2000. ISBN 0-201-71690-9, Chapters 14 (Inventory Ledger Setup) and 15 (Inventory Journals).

The Institute of Chartered Accountants of Ontario, Website – <http://www.icao.on.ca>

The teacher is automatically eligible to become part of the Teacher Colleague Program with the Institute of Chartered Accountants of Ontario. For a nominal fee, the teacher receives CA Magazine monthly and the CICA Handbooks and updates useful for GAAP research.

Appendix 1.3.1

XYZ Stores		
Income Statement		
For The Year Ended December 31, 2---		
Sales	\$205 000	
Less: Sales discounts	1450	
Sales returns and allowances	<u>1850</u>	
Net Sales		\$201 700
Cost of Goods Sold		
Beginning Inventory	28 800	
Add: Purchases	89 000	
Transportation on Purchases	2500	
Less: Purchase discounts	1350	
Purchase returns and allowances	1200	
Less: Ending Inventory	31 200	
Cost of Goods Sold		<u>86 550</u>
Gross Margin		115 150
Operating Expenses		
Salaries Expense	40 800	
Rent Expense	32 000	
Delivery Expense	3000	
Supplies Expense	1350	
Depreciation Expense: Equipment	5000	
Depreciation Expense: Building	<u>3000</u>	
Total Expenses		<u>85 150</u>
Net Income		<u>\$30 000</u>

Appendix 1.3.1 (Continued)

XYZ Stores Balance Sheet December 31, 2---					
Assets			Liabilities		
Cash		\$4500	Accounts Payable		\$38 000
Accounts Receivable		5400	Bank Loan		<u>63 300</u>
Supplies		5200	Total Liabilities		101 300
(Ending) Inventory		31 200			
Equipment	\$50 000				
Accumulated Depreciation: Equipment	<u>5000</u>	45 000			
Building	150 000		Owner's Equity		
Accumulated Depreciation: Building	<u>3000</u>	147 000	P. Jones, Capital	150 000	
Land		35 000	Less: P. Jones, Drawings	8 000	
		<u> </u>	Add: Net Income	<u>\$30 000</u>	<u>172 000</u>
Total Assets		<u>\$273 300</u>	Liabilities and Equity		<u>\$273 300</u>

Appendix 1.3.1 (Continued)

UVW Services Income Statement For The Year Ended December 31, 2---		
Sales from Services		\$115 150
Operating Expenses		
Salaries Expense	\$40 800	
Rent Expense	32 000	
Delivery Expense	3000	
Supplies Expense	1350	
Depreciation Expense: Equipment	5 000	
Depreciation Expense: Building	<u>3000</u>	
Total Expenses		<u>85 150</u>
Net Income		<u>\$30 000</u>

UVW Services Balance Sheet December 31, 2---					
Assets			Liabilities		
Cash		\$4500	Accounts Payable		\$38 000
Accounts Receivable		5400	Bank Loan		<u>63 300</u>
Supplies		5200	Total Liabilities		101 300
Equipment	\$50 000				
Accumulated Depreciation: Equipment	<u>5000</u>	45 000			
Building	150 000		Owner's Equity		
Accumulated Depreciation: Building	<u>\$3000</u>	\$147 000	J. Servisor, Capital	\$118 800	
Land		35 000	Less: J. Servisor, Drawings	8000	
			Add: Net Income	<u>30 000</u>	<u>140 800</u>
Total Assets		<u>\$242 100</u>	Liabilities and Equity		<u>\$242 100</u>
		=====			=====

Appendix 1.3.2

Classified Balance Sheet XYZ Stores Balance Sheet December 31, 2---

Assets			
Current Assets¹			
Cash		\$4500	
Accounts Receivable		5400	
Supplies		5200	
Inventory		<u>31 200</u>	\$46 300
Fixed Assets²			
Equipment	\$50 000		
Accumulated Depreciation: Equipment	<u>5000</u>	\$45 000	
Building	\$150 000		
Accumulated Depreciation: Building	<u>3000</u>	147 000	
Land		<u>35 000</u>	<u>227 000</u>
Total Assets			<u>\$273 300</u>
Liabilities and Owner's Equity			
Current Liabilities³			
Accounts Payable		\$38 000	
Bank Loan		<u>63 300</u>	\$101 300
Long-term Liabilities ⁴			
P. Jones, Capital			
Balance January 1		\$150 000	
Net Income	\$30 000		
Drawings	<u>8000</u>		
Increase in Equity		<u>22 000</u>	
Balance December 31			<u>172 000</u>
Total Liabilities and Owner's Equity			<u>\$273 300</u>

¹ Current Assets: Assets that will be used up or converted to cash within one year.

² Fixed Assets: Long-lived assets that are held for their usefulness in producing or selling goods and services.

³ Current Liabilities: Debts, which are expected to be paid off within one year.

⁴ Long-term Liabilities: Debts, which are expected to last longer than one year.

Appendix 1.3.3

Classified Balance Sheet Worksheet

Use the following information to set up a classified balance sheet in the correct format.

Goblin Merchandising Adjusted Trial Balance December 31, 2---		
	Dr.	Cr.
Cash	\$ 9000	
Accounts Receivable	10 800	
Beginning Inventory	57 600	
Supplies	10 400	
Equipment	100 000	
Accumulated Depreciation: Equipment		\$10 000
Building	300 000	
Accumulated Depreciation: Building		6000
Land	70 000	
Accounts Payable		76 000
Bank Loan (2 years)		66 600
P. Jones, Capital		360 000
P. Jones, Drawings	16 000	
Sales		410 000
Sales Returns and Allowances	3700	
Sales Discounts	2900	
Purchases	178 000	
Purchases Returns and Allowances		2400
Purchases Discounts		<u>2700</u>
Transportation on Purchases	5000	
Salaries Expense	81 600	
Rent Expense	64 000	
Delivery Expense	6000	
Supplies Expense	2700	
Depreciation Expense: Equipment	10 000	
Depreciation Expense: Building	<u>6000</u>	
Totals	<u>\$933 700</u>	<u>\$933 700</u>

Note: Ending Merchandise Inventory: \$62 400

Appendix 1.3.4

The Perpetual Inventory Method

With the increased use of computers in businesses, firms are more and more inclined to use the perpetual method of inventory. This system facilitates the calculation of the value of stock on hand at any point in time. Although it used to be very time-consuming in the past to record individual sales and purchases for thousands of items, computers can now fulfill this task in seconds, once a system has been set up.

A perpetual inventory system keeps a detailed record of each item in stock as it is bought or sold. Often, a firm will have its (point-of-sale) cash registers hooked up to a central computer and as the customer receives the goods and the cashier rings in the sale, the inventory is brought up to date. At the same time, it is possible for the computer to make the appropriate accounting entry. Since the computer knows exactly the purchase price of the goods and the selling price, the Cost of Goods Sold entry can be made immediately for that particular transaction. This, of course, enables a firm to create frequent, intermediate financial statements without the need to take a physical inventory. Notice, however, that the number of entries generated for a given day in a successful business may amount to tens or even hundreds of thousands. Computers are an essential tool to process all these as they occur.

Example of a sales entry:

Nov. 12	Cash	220.00		Price at which item is sold
	Sales		220.00	

Nov. 12	Cost of Goods Sold	160.00		Price for which item was bought
	Merchandise Inventory		160.00	

It is worthwhile to notice that Cost of Goods Sold is a temporary account, which will be closed off to the Income Summary account at the end of the cycle.

In order to make the input of information as simple as possible, most computer programs assign a standard inventory number to each item in stock. This makes it easy for the cashier to enter the item into the register. The Min. column tells the personnel when to reorder the item.

XYZ Inventory Report							
Item #	Item Description	Balance Nov. 11, 8 a.m.	Bought	Sold	Balance Nov 12, 9 p.m.	\$/Unit	Min.
A123-456	Thumb tacks	200 boxes of 50	30	60	170	.40	120
B432-876	Paper Clips	800 boxes of 100		200	600	.50	500
C726-238	Envelopes	450 boxes of 50	200	300	350	2.15	300

Although an inventory report such as the one above always contains important information on the inventory, the firm still needs to conduct a physical inventory count every so often to see whether the actual quantities on hand match the computer records. If there is a difference, it is mostly due to theft, spoilage, or loss. Of course, there is also the possibility of inaccurate computer input. Large discrepancies need to be checked with the original purchase and sales documents.

Appendix 1.3.5

Inventory Methods Worksheet

Name 1 _____ Name 2 _____

1. Complete the following tables to the best of your knowledge.

PERIODIC INVENTORY	
Advantages	Disadvantages
<i>(Teacher adds 7 rows)</i>	

PERPETUAL INVENTORY	
Advantages	Disadvantages
<i>(Teacher adds 6 rows)</i>	

2. Show the journal entries for the following transactions. In A, show the entry for a firm using the periodic inventory method and for B, show the entry for a firm using the perpetual inventory method.

November 16, sold 30 spades at \$25 each. They cost the firm \$15 a piece.

November 17, returned 5 wheelbarrows for credit due to faulty design. They were originally bought on credit and each cost \$42.

A.

DATE	PARTICULARS	P.R.	DEBIT	CREDIT
	<i>(teacher adds 9 rows)</i>			

B.

DATE	PARTICULARS	P.R.	DEBIT	CREDIT
	<i>(teacher adds 14 rows)</i>			