



Activities in Financial Accounting

MARTHA S. DORAN

ACTIVITIES IN FINANCIAL ACCOUNTING

*Using Accounting Information in
Business Decisions*

*(Activities, Cases, Simulations & Projects
for the Accounting Classroom)*

by
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Prentice Hall
Upper Saddle River, NJ 07458

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Assistant editor: Natacha St. Hill
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Cover designer: Suzanne Behnke



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A Simon & Schuster Company
Upper Saddle River, New Jersey 07458

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Printed in the United States of America

10 9 8 7 6 5 4

ISBN 0-13-228966-0

Prentice-Hall International (UK) Limited, *London*
Prentice-Hall of Australia Pty. Limited, *Sydney*
Prentice-Hall Canada Inc., *Toronto*
Prentice-Hall Hispanoamericana, S.A., *Mexico*
Prentice-Hall of India Private Limited, *New Delhi*
Prentice-Hall of Japan, Inc., *Tokyo*
Simon & Schuster Asia Pte. Ltd., *Singapore*
Editora Prentice-Hall do Brasil, Ltda., *Rio de Janeiro*

To the student...

Regardless of what you think you want to do, accounting will play an important role in whatever you choose. Although you may say "NO! Numbers are NOT my life," we are all influenced, governed, regulated and dependent on numeric measurements. How many of the following questions can you answer in the affirmative?

- Have you borrowed or do you plan to borrow money for your education?
- Are you receiving or do you plan to receive a paycheck with taxes withheld?
- Are you working or do you plan to work for a large corporation?
- Are you working or do you plan to work for a small, private company?
- Do you plan to start your own business?
- Are you raising or do you plan to raise a family?
- Are you investing and saving or do you plan to invest and save?
- Do you plan to fund your retirement through a pension plan?

Whether you are in the business of getting an education, raising a family, running for president, helping the homeless, making a movie or looking for work, you can make better choices and decisions **when** you learn how to read, measure, analyze, interpret and evaluate accounting information

And that's what this booklet, *Activities in Financial Accounting*, is all about. These activities are designed to help you discover **why** accounting information is so useful, as well as give you a variety of "real-world" situations in which to practice and use your new accounting skills. In addition, most of the activities will also give you an opportunity to practice and improve your writing, speaking and reasoning skills.

If you're saying, "Wait a minute. This is accounting, not an English or speech or logic course," you're not alone, but you **are** in for some changes to your (mis)perceptions. Accounting requires both technical and nontechnical skills. The accounting equation, transactions, financial statements, adjusting entries, accruals, deferrals, ratio analysis ... these are but a few of the important technical aspects of accounting. To be successful, you will need to do more than understand and use the technical skills of accounting. You will need to be able to explain them to your boss, to your employees, to your friends and co-workers, to your family, and, most important, to yourself. Your explanations will require you to use reasoning skills, writing skills and speaking skills. All of these skills work together to make you more productive in this class and in all your endeavors.

The best part of education is to help each person unlock his or her unique talents and to discover how to continue to grow and improve. Grab ahold of the process and hang on to it until you discover how **you** best learn and retain information. This is what college is all about.

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WANTED: A Career in Accounting

Activity Overview

Why are we doing this activity?

The purpose of this activity is to help you explore the kinds of skills, knowledge and abilities that today's business world expects to find in qualified job applicants. This activity has you look at the requirements for a job in accounting so you will be aware of the variety of expectations employers may have. This course, in conjunction with all your other courses, is designed to provide you with new skills and knowledge, as well as provide an opportunity for you to use skills and knowledge from other courses.

Content Goals:

- * Discover how accounting is used
- * Define skills, knowledge and abilities included in this course

Process Goals:

- * Explore concept formation
- * Transform abstract descriptions into concrete outcomes

Activity Summary:

For starters, you will read and analyze a want ad, which is actually a composite of many different ads from a September 1995 classified section of a western newspaper. You will then try and sort the various job requirements into three broad categories of technical, communication and interpersonal skills. Once you (and your team) have decided which skills are part of each major category, you'll need to come up with descriptions and examples of each skill along with a rationale or reason as to why the skill is needed. Most important, you will also have to define how you would be able to determine if a job applicant actually knew how to perform the skill. Last but not least, you will prepare a list of questions or requirements that you will use to interview prospective applicants who are answering the ad.

Activity Outcome:

When you have completed this activity, you should be able to assume the role of either an interviewer or a job applicant and converse intelligently about the skills, knowledge and abilities needed in accounting. More important, you should be aware of what this course will provide you in terms of new skills as well as opportunities to use prior knowledge. This activity will help you set realistic expectations for the course as well as alert you to what will be expected from your performance.

Class Discussion Notes:

WANTED: A Career in Accounting

ACCOUNTANT

Looking for a highly qualified individual to join our team as a hands-on, self-motivated Acct. Manager/Controller. Must have ability to adapt to a changing work environment and be able to handle both pressure and people. Will work with sales, production and marketing managers to develop projections and budgets. Excellent verbal and written communication skills needed.

Responsibilities include supervising two individuals performing A/R, A/P, Billing and Payroll, preparation and analysis of I/S and B/S, development of accounting procedures, interpretation and analysis of financial information, cost accounting, and budget preparation and analysis. Proficiency in Adv. Lotus 1-2-3 and WordPerfect important.

Position demands excellent technical and interpersonal skills, as well as strong time management skills. We offer a competitive compensation and benefits package. Send résumé and salary requirements to:

Great Place to Work
1234 Main Street
Real World, USA 98765-4321

WANTED: A Career in Accounting

Directions:

1. Assume you are a member of the Human Resources Department and are in charge of hiring a new accountant for your company. Read the want ad on the previous page that your department placed in Sunday's paper.
2. Identify and list the job requirements described in the ad, using the grid provided below.
3. Sort and classify the job requirements into one of the three major categories shown in the grid (i.e., Technical, Communication, Interpersonal), by placing an "X" in the best grid category.
4. Discuss and evaluate your list with your team or class. Make any changes agreed upon in the larger discussion in the new space provided for you under GROUP DISCUSSIONS.
5. Analyze each job requirement and describe WHAT the skill is, WHY the skill is needed, and HOW you could determine if someone possessed that skill. Use the worksheet provided on the next page.
6. Prepare a list of interview questions or requirements and be prepared to assume the role of either an interviewer or a job applicant. Use the worksheet provided on the last page of this activity.

INDIVIDUAL RESPONSES:

Major Skills: Job Requirements	Technical	Communication	Interpersonal
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			

WANTED: A Career in Accounting**GROUP DISCUSSIONS:**

Major Skills: Job Requirements	Technical	Communication	Interpersonal
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			

SKILL ANALYSIS WORKSHEET:

Major Skills:	WHAT is the skill?	WHY is it needed?	HOW do you know someone has it?
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			

NAME: _____

WANTED: A Career in Accounting

Use this page to prepare a list of interview questions or requirements you will use to satisfy yourself that the job applicant is well qualified and right for the job. Be prepared to assume either the role of interviewer or applicant. In other words, make sure you know the kinds of answers or results you are seeking with each of the questions or requirements you create. Some "Reasoning Tips" are provided in Appendix A, p.71, to help you review your critical thinking skills.

1.

2.

3.

4.

5.

6.

7.

8.

PIZZA! PIZZA!**Activity Overview****Why are we doing this activity?**

The purpose of this activity is to help you explore the kinds of accounting information that are available to decision makers and why such information is necessary. This activity places you in the role of an entrepreneur who is interested in purchasing a pizza shop. This is an important decision that will require you to comprehend what information is quantitative and relevant to this decision and why.

Content Goals:

- * Discover how accounting is used
- * Distinguish between quantitative and qualitative information

Process Goals:

- * Explain WHAT and WHY
- * Developing deep questioning techniques

Activity Summary:

You will assume the role of a would-be business owner, who has very little information with which to decide whether to buy a pizza parlor. The good news is that you can ask 10 questions before you make this momentous decision. The dilemma is ... which 10 questions are the best ones to ask?

Activity Outcome:

When you have completed this activity, you should be able to explain WHAT you need to know (the 10 questions) and also WHY each question will help you make a good decision. This activity will help you comprehend how accounting information can be used, and to discern which questions accounting information can and cannot answer. You will also practice your impromptu speaking skills and develop your reasoning skills in deep questioning.

Class Discussion Notes:

PIZZA! PIZZA!

For quite some time you have been dreaming about starting your own business ... and it looks like opportunity has knocked! The local pizza parlor is up for sale. It's located just a few blocks from the house where you grew up. And the delicious tastes and smells of this pizza parlor have been part of your growing up. The good news is that you have obtained the company's income statement for the current year and it shows a \$75,000 net profit after taxes. The bad news is this income statement is the **ONLY** statement ever prepared for the pizza parlor. You want to present your best offer to purchase the pizza parlor from the current owner, and time is of the essence. You can ask **ONLY** 10 questions to prepare your offer.

Directions:

1. Brainstorm a list of as many questions you can think of to help you make your best offer for the pizza parlor. Jot down **WHY** each question will help you. Use the space provided below.
2. Use your first list to rank the most important questions and to narrow your list to 10 questions. Check to see if some of your questions fall into the same categories. Are two or more questions answering the same **WHY**? Do you need both questions?
3. Prepare a final list of your top 10 questions, along with the reason **WHY** each question will help you make an offer. Be ready to briefly share your top three questions along with the amount of your offer for the pizza parlor. Use the worksheet provided on the next page.

BRAINSTORMING QUESTIONS:

WHY:

RANK

NAME: _____

PIZZA! PIZZA!

Use this worksheet to list your top 10 questions and tell why each question will help you make your best offer for the pizza parlor. List the amount you would offer to buy the business.

Top 10 Questions	Why this information is important:
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	

Amount of your OFFER to purchase this business: \$ _____

Compu-Shack: Using Financial Printouts

Activity Overview

Why are we doing this activity?

The purpose of this activity is to give you experience in reading and using computer printouts of financial reporting. Most businesses use computer software to record their economic transactions. Although every software package is unique, you will also discover many similarities. This activity is designed to have you explore and comprehend a company's financial transactions when presented as a computerized set of reports.

Content Goal:

- * Read and analyze the basic steps of the accounting cycle

Process Goal:

- * Recognize similarities in the reporting process, independent of the reporting medium

Activity Summary:

Using computer printouts for Compu-Shack, you will answer eight questions about the company's operations. Your answers will need to include BOTH a factual response AND an explanation of "how" or "where" you discovered each answer.

Activity Outcome:

When you have completed this activity, you should be able to find specific information about a company by reading its computer printouts. Additionally, you should recognize economic transactions and their effect on the accounting equation. You should also become aware of some of the limitations of accounting information.

Class Discussion Notes:

NAME: _____

Compu-Shack: Using Financial Printouts**Directions:**

1. Read the computer printouts for Compu-Shack, starting on page 15. Then complete the worksheet below. You need to provide BOTH a factual answer to each question AND a description of "how" or "where" you found your answer.

QUESTION:**ANSWER:****HOW/WHERE?**

1. What kind of business entity is Compu-Shack?
2. How long has Compu-Shack been in business?
3. How much money did Compu-Shack start and end September with?
4. Where did it get its cash?
5. Where did it spend its cash?
6. Use the accounting equation to represent Compu-Shack.
7. What was Compu-Shack's bottom line for September?
8. How knowledgeable and experienced are the owners of Compu-Shack?

A	=	L	+	OE
_____	=	_____	+	_____

Compu-Shack: The Case of the Missing Files

Activity Overview

Why are we doing this activity?

The purpose of this activity is to help you translate accounting entries into English, as well as describe and comprehend the impact these adjustments have on the financial reports, transactions, and why each adjustment is being made. Since most technical accounting procedures are now performed by computers, it is extremely important for users of accounting information to understand what is being done by a computer and why.

Content Goals:

- * Describe economic events underlying accounting adjustments
- * Recognize the impact an adjustment has
- * Explain the business logic for making each adjustment

Process Goals:

- * Comprehend the process of reading financial records to discover economic meaning from the results

Activity Summary:

You will play the role of an accounting detective of sorts and help the owners of Compu-Shack "reconstruct" missing journal entries. The records may have been misfiled or destroyed, but in either case you have been asked to come to the rescue. This case is very similar to what accountants often do for their clients, so the steps (process) are important. The first task asks you to summarize what's happened so far. Next you are asked to think up a list of possible adjustments to be made. Last, you are asked to actually reconstruct the entries based on the printouts you have.

Activity Outcome:

When you have completed this activity, you should be able to describe and explain accounting adjustments made to financial reports by reading the company's computer printouts. Additionally, you should recognize how adjustments affect the financial statements and be able to discern the differences between transactions and adjustments.

Class Discussion Notes:

Compu-Shack: The Case of the Missing Files

Two of your good friends need your help. They recently started a new business called Compu-Shack. But their trusty accountant left the country (for Tahiti, they think) and they can't find all of the accounting records. They have located an adjusted trial balance and the general ledger but cannot find the listing of the adjusting journal entries the accountant made for them. The adjusted trial balance shows that the adjustments were correctly posted, but they also want to make sure they have perfect documentation of the entries. You've agreed to help reconstruct the entries.

Directions:

1. Read through the computer reports for Compu-Shack (pages 16-22). Use the description of the transactions listed in the General Journal to help you write a brief, one-paragraph summary of what business activity took place in September (BEFORE any adjustments). Space is provided below for your paragraph summary.
2. Next, jot down a list of possible transactions that may need to be adjusted at the end of September. Think of this step as preparing a checklist of transactions you want to analyze for possible adjustment. Space is also provided for this checklist below.
3. Read through the Adjusted Trial Balance and "reconstruct" the adjusting journal entries (AJEs) made for Compu-Shack. Use the worksheet provided on the next page.
4. For each entry, (a) write a description of what was accomplished by the entry, (b) describe the impact the entry had on the balance sheet and income statement, and (c) describe why the entry was made.

Paragraph Summary (for #1):

Checklist of Transactions to Adjust (for #2):