**Double Entry Accounting Activities**

**Activity 2.1.1 – What Effects Owner’s Equity**

Purpose: Learn what type of transactions effect owner’s equity and how.

Review the definition of owner’s equity. Ask the question “What type of transactions do you think affect a person’s investment in a business and how?” Lead students into a discussion about what type of revenue a person has for a service business and what type of expenses. Give specific businesses as examples. Explain why and when an owner might place more money in their capital account as an investment. Explain drawing and what it does to owner’s equity.

Place the following transactions on the white board or projector and ask students to consider what they do to owner’s equity.

1. Paid cash for office building rent for this month
2. Received cash from the owner as an investment in the business
3. Paid cash to the owner for personal use
4. Paid cash to Myron’s Office Supplies to buy supplies
5. Paid cash for repairs to the company automobile
6. Received cash from a client

Place a reminder on the projector to review what affects owner’s equity and how: Increases (Investments and Revenue); Decreases (Withdrawals and Expenses).

Have students break into teams of 4. With their partner within the team, have them write 6 transactions. Make the transactions different from the examples and ones that demonstrate all four types of effects. Ask the partners within their team to solve the transactions by telling whether it was an increase or decrease to owner’s equity.

**Activity 2.1.2 – Temporary and Permanent Accounts**

Purpose: Gain a general knowledge of what constitutes temporary or permanent accounts.

Using publisher or online resource, view online or create a Temporary and Permanent Account presentation, briefly explain temporary accounts and permanent accounts. Reinforce the definitions. Explain why these accounts have to be “refueled” each month. You can use an odometer as an example. When you start the trip (or in a business’ case a fiscal period) the odometer needs to be at zero; otherwise, you don’t know how far you traveled on that trip.

**Activity 2.1.3 – Expanded Accounting Equation and Balance Sheet**

Purpose: Gain skill in balancing an expanded accounting equation.

Write the accounting equation on the white board, spreading it out across the board. Underneath each classification ask students to give some account names that fit in that classification. Explain that this is considered the expanded accounting equation. Draw a line down the middle beneath the equals sign.

Explain that in accounting we have a left and a right side that must be equal. Emphasize the left and right side idea and its relationship to the balance sheet. We demonstrate this equality in what we call a balance sheet. This is a report that shows the equation is equal.

Ask students to complete the following worksheet either manually or copy it to a file for them to do on the computer.

# Expanded Accounting Equation

**Instructions:** Place a plus or minus in the correct column and row for each transaction.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | | | **=** | **Liabilities** | | **+** | **Owner’s Equity** |
|  | Cash | Supplies | Equipment |  | Broadmoor Bank | ABC Supplies |  | Harold Horner, Capital |
| 1 |  | | |  |  | |  |  |
| 2 |  | | |  |  | |  |  |
| 3 |  | | |  |  | |  |  |
| 4 |  | | |  |  | |  |  |
| 5 |  | | |  |  | |  |  |
| 6 |  | | |  |  | |  |  |
| 7 |  | | |  |  | |  |  |
| 8 |  | | |  |  | |  |  |
| 9 |  | | |  |  | |  |  |
| 10 |  | | |  |  | |  |  |

1. Paid cash to Broadmoor Bank.
2. Paid cash to Jones Equipment to purchase some equipment.
3. Paid cash for rent.
4. Paid cash for miscellaneous expense.
5. Paid cash to owner for personal use.
6. Received cash from services.
7. Paid cash for supplies.
8. Received cash from the owner as an investment in the company.
9. Paid cash for equipment repair.
10. Bought supplies on account from ABC Supply.

Go over the worksheet with students, re-teaching any areas students missed. Discuss the rules of transactions.

1. If the left side is decreased then the right side must be decreased by the same amount.
2. If the left side is increased then the right side must be increased by the same amount.
3. If two accounts are affected on the left side of the equation then one must be an increase and the other a decrease and there might not be an account affected on the right side.

**Expanded Accounting Equation**

**Instructions:** Place a minus or plus sign and the amount on the transaction number line. On the Balance line, calculate the new balance for each account.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets** | | |  | **Liabilities** | |  | **Owner’s Equity** |
|  | Cash | Supplies | Equipment |  | Broadmoor Bank | ABC Supplies |  | Harold Homer, Capital |
| Beginning Balance | $4,500 | $300 | $14,000 |  | $8,800 | $225 |  | Find the capital |
| 1 |  |  |  |  |  |  |  |  |
| Balance |  |  |  |  |  |  |  |  |
| 2 |  |  |  |  |  |  |  |  |
| Balance |  |  |  |  |  |  |  |  |
| 3 |  |  |  |  |  |  |  |  |
| Balance |  |  |  |  |  |  |  |  |
| 4 |  |  |  |  |  |  |  |  |
| Balance |  |  |  |  |  |  |  |  |
| 5 |  |  |  |  |  |  |  |  |
| Balance |  |  |  |  |  |  |  |  |
| 6 |  |  |  |  |  |  |  |  |
| Balance |  |  |  |  |  |  |  |  |
| 7 |  |  |  |  |  |  |  |  |
| Balance |  |  |  |  |  |  |  |  |
| 8 |  |  |  |  |  |  |  |  |
| Balance |  |  |  |  |  |  |  |  |
| 9 |  |  |  |  |  |  |  |  |
| Balance |  |  |  |  |  |  |  |  |
| 10 |  |  |  |  |  |  |  |  |
| Ending Balance |  |  |  |  |  |  |  |  |

1. Paid cash to Broadmoor Bank, $500.00
2. Paid cash to Jones Equipment to purchase some equipment, $1,200.
3. Paid cash for rent, $1,000.
4. Paid cash for miscellaneous expense, $25.00.
5. Paid cash to owner for personal use, $2,500.00.
6. Received cash from services, $4,000.00.
7. Paid cash for supplies, $125.00.
8. Received cash from the owner as an investment in the company, $14,000.00.
9. Paid cash for equipment repair, $250.00.
10. Bought supplies on account from ABC Supply, $75.00.

Have students show the math where they checked their balances.

Demonstrate how to prepare a balance sheet beginning with the three line heading. Discuss proper ways of writing numbers and currency (no decimals, no commas, and no dollar sign.) Emphasize that the left side should equal the right side like the equation. Have your students create a balance sheet using the ending balances from the above exercise. Discuss what a single and double ruled line means in accounting. Emphasize neatness.

**Activity 2.1.4 – Normal Balance Side and “T” Accounts**

Purpose: Identify accounts with normal debit balance side and those with a normal credit balance side, and introduce “T” accounts.

Using a Normal Balance Side presentation, explain the normal balance side of accounts and the use of “T” accounts. Emphasize the relationship between the accounting equation and its normal balance side.

Ask your students to use a marker to draw a line down the middle of a piece of construction paper. Have your students trace their left hand and right hand on the piece of construction paper with a pencil. Ask them what types of accounts have a normal left side balance. Ask them to draw some pictures or write some account names on the left side of the construction paper with a marker. Try to think of at least 5 examples. Then ask them to do the same for the right side.

**Activity 2.1.5 – Classifying Accounts (Review)**

Purpose: Learn how to classify accounts with 100% accuracy.

Spend several times a week drilling on classifying accounts until almost all students can classify accounts with 100% accuracy.

Have students use index cards and drill with a partner.

Have students number 1-20 on their page and classify as many accounts as they can as you call them out. You could also create a presentation displaying various account names and descriptions. You can have this running as they enter the room.

**Activity 2.1.6 – Numbering Accounts**

Purpose: Learn how to number accounts on chart of accounts.

Discuss the need for numbering accounts and the need to keep an updated chart of accounts. Explain that unless an account is on the chart of accounts, it cannot be used in the accounting system for that business.

Explain the numbering system used to keep the accounts separated and whether it should be a 3-digit or 4-digit system.

Ask your students to put their index cards from Activity 1 in the order in which they would appear on a chart of accounts. Check the order and review why they are in that order. For instance, assets in order of the most easily liquidated liabilities in alphabetical order and then the capital. Ask students what number should begin all assets, all liabilities and the capital account.

Have them number the accounts on the index card. Check for accuracy.

**Activity 2.1.7 – Preparing a Chart of Accounts**

Purpose: Learn how to create a manual and computerized chart of accounts.

Review definitions of assets, liabilities and owner’s equity and the accounting equation. Have students read an explanation from one of the web pages about a chart of accounts. Lead a class discussion on the importance of a chart of accounts and why only accounts on the chart of accounts can be used in the financial process.

Give your students this scenario:

Jill Johnson, a sole proprietor, has decided to open a small hair salon in your area. She lists on the left side of a sheet of paper that she owns these items: Cash, Supplies, Equipment and Furniture. On the right side she lists that she owes for supplies from Landberg Office Supply and the equipment she purchased was a loan from Bloomer Bank.

Have students create a proper account on a sheet of paper and list the accounts in the chart of account with an account number. Don’t forget to include the owner’s equity account.

Instruct students on how to use the available software to enter a chart of accounts. Have your students enter the same chart of accounts as the one they used for the manual chart.

**Activity 2.1.8 – Using “T” Accounts**

Purpose: Use “T” accounts to analyze transactions into debits and credits.

Draw “T” accounts on a sheet of paper for these accounts: Cash, Supplies, Prepaid Insurance, Equipment, Boomer’s Office Supply, Bank of America, Tina Taylor, Capital, Tina Taylor, Drawing, Income Summary, Fees Earned, Advertising Expense, Miscellaneous Expense, Rent Expense and Utilities Expense.

Have students analyze the transactions below. Remind them they always have debits that equal credits. So if they have a $300 debit to cash, they must also have a $300 credit somewhere. Left side must stay in balance to the right side. Continue to emphasize this.

Ask students to use these steps to analyze the transactions:

1. Paid cash for Supplies, $50.00.
2. Wrote a check for Insurance. $498.00.
3. Received cash for Fees Earned, $230.00.
4. Paid cash for Advertising, $125.00.
5. Paid cash to owner for personal use, $2,000.00.
6. Received cash from owner as an investment in the company,

$14,000.00.

1. Donated cash to the *Walk America* campaign, $225.00.
2. Charged supplies on the Boomer’s Office Supplies account, $221.00.
3. Paid cash for rent, $1,000.00.

Example for the first transaction?

1. What two accounts are affected? Cash and Supplies
2. What type of account is supplies? Asset
3. Do you have more or less supplies? More
4. How do you increase supplies? Debit
5. What type of account is cash? Asset
6. Do you have more or less cash? Less
7. How do you decrease an Asset? Credit

**Activity 2.1.9 – Accounting Assumptions**

Purpose: Demonstrate basic knowledge in the most used accounting assumptions.

Have students look up these accounting assumptions to discuss in class:

1. Accounting Period Cycle
2. Adequate Disclosure
3. Business Entity
4. Consistent Reporting
5. Going Concern
6. Historical Cost
7. Matching Expenses with Revenue
8. Materiality
9. Objective Evidence
10. Realization of Revenue
11. Unit of Measurement