

## ACC 201 Final Project I Guidelines and Rubric

### Overview

One of the measures of success for any business is profitability. Managers and business owners must be able to assess the profitability of a company using information about its financial transactions: This is done through accounting. By working through the accounting cycle, you will understand how to organize transactions in a way that communicates the financial position of a company. This information is critical for external stakeholders who may be interested in working for or investing in the business. This process also helps you understand the level of attention to detail that is required in a successful business venture.

The final project for this course consists of two major parts: an **accounting workbook** (Final Project I) and a **professional relevance essay** (Final Project II). In the accounting workbook, you will use provided information to record journal entries that document financial transactions in a business. To do this, you will follow the business transactions for a three-month period, starting from the first step of the accounting cycle through the reporting process. These transactions include the initial setup of the business, sales, and purchases, payments made to vendors, payments made to store employees, and debt management. In the second part of the final project, you will create a well-crafted essay in which you draw connections between your accounting exercises and their practical applications for furthering your own professional practice.

The project is divided into **two milestones**, which will be submitted at various points throughout the course to scaffold learning and ensure quality final submissions. These milestones will be submitted in **Modules Three** and **Five**. The final products will be submitted in **Modules Seven** and **Eight**.

In this assignment, you will demonstrate your mastery of the following course outcomes:

- ACC-201-01: Record financial data that accurately captures business transactions according to accepted accounting principles
- ACC-201-02: Apply the accrual basis of accounting to correctly create adjusting entries in the preparation of financial statements
- ACC-201-03: Create financial statements by properly employing prescribed methods in accordance with generally accepted accounting principles

### Prompt

Your dog, Peyton, has severe allergies and cannot have the usual store-bought dog treats. You have been making homemade treats for him that are all-natural and hypoallergenic. Over the past year, you have been making and selling these treats out of your home, and you have been quite successful. You now have an opportunity to open your own dog treat bakery. You have decided on a corporate form of business and have named your company “Peyton Approved.”

Use accepted accounting principles to follow and record your business transactions for a three-month period from the first step of the accounting cycle through the reporting process. Enter your transactions in [the workbook provided](#). Your completed workbook will consist of journal entries for each transaction, and postings of transactions to account ledgers. You will develop a trial balance from ledger balances and adjust revenue and expense accounts, as necessary, to ensure that revenues and expenses are reported in the appropriate period under the accrual accounting method. The adjusted trial balance will be used to prepare the income statement, the statement of owner's equity, the balance sheet, and the statement of cash flows. After the preparation of the financial statements, closing entries will be entered to transfer earnings to equity and prepare temporary accounts for the new accounting period.

You will find the provided data for your workbook in the appendix at the end of this document. The data have been separated from the prompt so that you can more easily view the full scope of the project. Links have been provided to help you locate the information you need for each step.

Specifically, you must address the **critical elements** listed below. Most of the critical elements align with a particular course outcome (shown in brackets).

- I. **Record financial data** that accurately captures business transactions according to accepted accounting principles:
  - A. **Step One:** Complete the "July Journal Entries" tab in your workbook using the [Step One data](#) in the appendix. [ACC-201-01]
  - B. **Step Two:** Complete the "August Journal Entries" tab in your workbook using the [Step Two data](#) in the appendix. [ACC-201-01]
  - C. **Step Three:** Complete the "September Journal Entries" tab in your workbook using the [Step Three data](#) and [updated scenario information](#) in the appendix. Note that there was an additional line of products added this month, so you must first complete the "Inventory Valuation" tab in your workbook and copy the journal entries from the inventory evaluation page into your journal for this month to ensure the impact of merchandising is reflected in your reporting. [ACC-201-01]

*The following critical element is not graded:*

  - D. **Step Four:** Review posted entries to T accounts. Note that the numbers from your journal entries have been automatically posted to the General Ledger T accounts, but you must still review each account to be sure each amount has been accurately posted.
- II. **Apply the accrual basis of accounting** to correctly create adjusting entries in the preparation of financial statements:
  - A. **Step Five:** Prepare the unadjusted trial balance. Note that you should use the T account balances completed in Step Four to prepare the unadjusted trial balance portion of the "Trial Balance" tab in your workbook. [ACC-201-02]
  - B. **Step Six:** Complete the "Adjusting Entries" tab in your workbook using the [Step Six data](#) in the appendix. Note that you should take the adjusting entries from this worksheet and enter them into the "Trial Balance" tab in your workbook. [ACC-201-02]
  - C. **Step Seven:** Apply adjusting entries to create the adjusted trial balance. Note that the adjusting entries from Step Six will apply to affected accounts in the unadjusted trial balance to arrive at the adjusted trial balance. [ACC-201-02]

- III. **Create financial statements** by properly employing prescribed methods in accordance with generally accepted accounting principles:
- A. **Step Eight:** Prepare the financial statements. Note that you must use your adjusted trial balance to prepare the income statement, statement of owner's equity, and balance sheet. You must complete these statements in this order, as there are interdependencies among them. [ACC-201-03]
  - B. **Step Nine:** Complete the "Closing Entries" tab in your workbook by closing all temporary income statement amounts to create closing entries. [ACC-201-03]
  - C. **Step Ten:** Prepare the "Post Closing Trial Balance" tab for the next accounting period. [ACC-201-03]
  - D. **Step Eleven:** Prepare the reversing entries in the "Reversing Entries" tab of your workbook. [ACC-201-03]

## Milestones

### Milestone One: Accounting Workbook (Steps 1–4)

In **Module Three**, you will submit the first part of your accounting workbook, including the monthly journal entries and general ledger accounts. **This milestone will be graded with the Milestone One Rubric.**

### Milestone Two: Accounting Workbook (Steps 1–7)

In **Module Five**, you will submit the second part of your accounting workbook, including the trial balance, adjusting entries, and adjusted trial balance. You should also incorporate any feedback you received from Milestone One on your monthly journal entries and general ledger accounts. **This milestone will be graded with the Milestone Two Rubric.**

### Final Submission Part I: Final Accounting Workbook

In **Module Seven**, you will submit the first part of your final project. It should be a complete, polished artifact containing **all** of the critical elements of the prompt. It should reflect the incorporation of feedback gained throughout the course. **This submission will be graded with the Final Project I Rubric.**

## Final Project I Rubric

**Guidelines for Submission:** Your completed accounting workbook should have all tabs fully and accurately populated in the provided Excel template.

| Critical Elements                                      | Exemplary (100%)                                                   | Proficient (85%)                                                           | Needs Improvement (55%)                                               | Not Evident (0%)                                 | Value |
|--------------------------------------------------------|--------------------------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------------------|--------------------------------------------------|-------|
| <b>Record Financial Data: Step One</b><br>[ACC-201-01] | Accurately completes the "July Journal Entries" tab without errors | Appropriately completes the "July Journal Entries" tab with minimal errors | Completes the "July Journal Entries" tab, but with significant errors | Does not complete the "July Journal Entries" tab | 10    |

|                                                                      |                                                                                     |                                                                                                          |                                                                                                        |                                                       |             |
|----------------------------------------------------------------------|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|-------------------------------------------------------|-------------|
| <b>Record Financial Data: Step Two</b><br>[ACC-201-01]               | Accurately completes the "August Journal Entries" tab without errors                | Appropriately completes the "August Journal Entries" tab with minimal errors                             | Completes the "August Journal Entries" tab, but with significant errors                                | Does not complete the "August Journal Entries" tab    | 10          |
| <b>Record Financial Data: Step Three</b><br>[ACC-201-01]             | Accurately completes the "September Journal Entries" tab without errors             | Appropriately completes the "September Journal Entries" tab with minimal errors                          | Completes the "September Journal Entries" tab, but with significant errors                             | Does not complete the "September Journal Entries" tab | 10          |
| <b>Apply Accrual Basis of Accounting: Step Five</b><br>[ACC-201-02]  | Meets "Proficient" criteria, and all values are accurate based on the provided data | Applies the correct process in preparing the unadjusted trial balance based on the values from Step Four | Prepares the unadjusted trial balance, but fails to fully or appropriately apply the correct process   | Does not prepare the unadjusted trial balance         | 10          |
| <b>Apply Accrual Basis of Accounting: Step Six</b><br>[ACC-201-02]   | Meets "Proficient" criteria, and all values are accurate based on the provided data | Applies the correct process in preparing the adjusting entries based on the values                       | Prepares the adjusting entries, but fails to fully or appropriately apply the correct process          | Does not prepare the adjusting entries                | 10          |
| <b>Apply Accrual Basis of Accounting: Step Seven</b><br>[ACC-201-02] | Meets "Proficient" criteria, and all values are accurate based on the provided data | Applies the correct process in preparing the adjusted trial balance based on the values                  | Prepares the adjusted trial balance, but fails to fully or appropriately apply the correct process     | Does not prepare the adjusted trial balance           | 10          |
| <b>Create Financial Statements: Step Eight</b><br>[ACC-201-03]       | Meets "Proficient" criteria, and all values are accurate based on the provided data | Applies the correct process in preparing the financial statements based on the values                    | Prepares the financial statements, but fails to fully or appropriately apply the correct process       | Does not prepare the financial statements             | 25          |
| <b>Create Financial Statements: Step Nine</b><br>[ACC-201-03]        | Meets "Proficient" criteria, and all values are accurate based on the provided data | Applies the correct process in preparing closing entries based on the values                             | Prepares the closing entries, but fails to fully or appropriately apply the correct process            | Does not prepare the closing entries                  | 5           |
| <b>Create Financial Statements: Step Ten</b><br>[ACC-201-03]         | Meets "Proficient" criteria, and all values are accurate based on the provided data | Applies the correct process in preparing the post closing trial balance based on the values              | Prepares the post closing trial balance, but fails to fully or appropriately apply the correct process | Does not prepare the post closing trial balance       | 5           |
| <b>Create Financial Statements: Step Eleven</b><br>[ACC-201-03]      | Meets "Proficient" criteria, and all values are accurate based on the provided data | Applies the correct process in preparing the reversing entries based on the values                       | Prepares the reversing entries, but fails to fully or appropriately apply the correct process          | Does not prepare the reversing entries                | 5           |
| <b>Total</b>                                                         |                                                                                     |                                                                                                          |                                                                                                        |                                                       | <b>100%</b> |

## Appendix: Workbook Data

[Step One Data](#) (Click on the link to return to the prompt.)

The following events occur in July, 2018:

July 1: You take \$10,000 from your personal savings account and buy common stock in Peyton Approved.

July 1: Purchase \$6,500 in baking supplies from vendor, on account.

July 3: Your parents lend the company \$10,000 cash in exchange for a two-year, 6% note payable. Interest and the principal are repayable at maturity.

July 7: Enter into a lease agreement for bakery space. The agreement is for 1 year. The rent is \$1,500 per month, and the last month's rent payment of \$1,500 is required at time of lease agreement. The payment was made in cash. Lease period is effective July 1, 2018, through June 30, 2019.

July 10: Pay \$375 to the county for a business license.

July 11: Purchase a cash register for \$250 (deemed to be not material enough to qualify as depreciable equipment—use misc. exp.).

July 13: You have baking equipment, including an oven and mixer, which you have been using for your home-based business and will now start using in the bakery. You estimate that the equipment is currently worth \$6,000, and you transfer the equipment into the business in exchange for additional common stock. The equipment has a 5-year useful life.

July 13: Pay \$200 for business cards/flyers/posters/ads to use for advertising.

July 14: Pay \$300 for office supplies.

July 15: Hire part-time helper to be paid \$12 per hour. Pay periods are the 1<sup>st</sup> through the 15<sup>th</sup> and 16<sup>th</sup> through the end of the month, with paydays being the 20<sup>th</sup> for the first pay period and the 5<sup>th</sup> of the following month for the second pay period. (No entry is required on this date; it is here for informational purposes only.)

July 30: Received telephone bill for July in amount of \$75. Payment is due on August 10.

July 31: Pay \$2,400 for a 12-month insurance policy. Policy effective dates are August 1, 2018, through July 31, 2019.

July 31: Accrue wages earned for employee for period of 16<sup>th</sup> through 31<sup>st</sup> of July ([Wage calculations table](#) provided below).

July 31: Total July bakery sales were \$15,000. \$5,000 of these sales are on accounts receivable.

[Step Two Data](#) (Click on the link to return to the prompt.)

The following events occur in August, 2018:

August 5: Paid employee for period ending 7/31.

August 8: Receive payments from customers towards accounts receivable in amount of \$3,800.

August 10: Paid July telephone bill.

August 15: Purchase additional baking supplies in amount of \$5,000 from vendor, on account.

August 15: Accrue wages earned for employee from period of 1<sup>st</sup> through 15<sup>th</sup> of August ([Wage calculations table](#) provided below).

August 15: Pay rent on bakery space.

August 18: Receive payments from customers towards accounts receivable in amount of \$3,000.

August 20: Paid \$8,500 toward baking supplies vendor payable.

August 20: Pay employee for period ending 8/15.

August 22: \$300 in office supplies purchased.

August 31: Received telephone bill for August in amount of \$75. Payment is due on September 10.

August 31: Accrue wages earned for employee for period of August 16<sup>th</sup> through August 31<sup>st</sup> ([Wage calculations table](#) provided below).

August 31: August bakery sales total \$20,000. \$7,500 of this total is on accounts receivable.

[Step Three](#) (Click on the link to return to the prompt.)

Updated Scenario: Many customers have been asking for more hypoallergenic products, so in September you start carrying a line of hypoallergenic shampoos on a trial basis. The following information relates to the purchase and sales of the shampoo:

- You use the perpetual inventory method. Although you could use the following valuation methods—**FIFO**, **LIFO**, or **weighted average**, you choose to use the FIFO method.

Data: The following events occur in September, 2018:

September 1: Paid dividends to self in amount of \$10,000.

September 5: Pay employee for period ending 8/31.

September 7: Purchase merchandise for resale. See “Inventory Valuation” tab for details.

September 8: Receive payments from customers toward accounts receivable in amount of \$4,000.

September 10: Pay August telephone bill.

September 11: Purchase baking supplies in amount of \$7,000 from vendor on account.

September 13: Paid on supplies vendor account in amount of \$5,000.

September 15: Accrue employee wages for period of September 1 through September 15.

September 15: Pay rent on bakery space: \$1,500.

September 15: Record merchandise sales transaction. See “Inventory Valuation” tab for details.

September 15: Record impact of sales transaction on COGS and the inventory asset. See “Inventory Valuation” tab for details.

September 20: Pay employee for period ending 9/15.

September 20: Purchase merchandise inventory for resale to customers. See “Inventory Valuation” tab for details.

September 24: Record sales of merchandise to customers. See “Inventory Valuation” tab for details.

September 24: Record impact of sales transaction on COGS and the inventory asset. See “Inventory Valuation” tab for details.

September 30: Purchase merchandise inventory for resale to customers. See “Inventory Valuation” tab for details.

September 30: Accrue employee wages for period of September 16<sup>th</sup> through September 30<sup>th</sup>

September 30: Total September bakery sales are \$20,000. \$6,000 of these sales are on accounts receivable.

[Step Six Data](#) (Click on the link to return to the prompt.)

On September 30, the following adjustments must be made:

- *[Note: This is a sample.] Depreciation of baking equipment transferred to company on 7/13. Assume a half month of depreciation in July using the straight-line method.*
- Accrue interest for note payable. Assume a full month of interest for July. (6% annual interest on \$10,000 loan from parents.)
- Record insurance used for the year.
- Actual baking supplies on-hand as of September 30 are \$1,100.
- Office supplies on-hand as of September 30 are \$50.

Wage calculation data:

| Month   | Hours | Rate | Pay |
|---------|-------|------|-----|
| 31 Jul. | 10    | 12   | 120 |
| 15 Aug. | 40    | 12   | 480 |
| 31 Aug. | 35    | 12   | 420 |
| 15 Sep. | 38    | 12   | 456 |
| 30 Sep. | 40    | 12   | 480 |