

Instructional Scenario

Greenleaf Traders



Course/Duty Area: Accounting / Understanding the Accounting Cycle for a Merchandising Business

Scenario: You are the accountant for Greenleaf Traders, a small merchandising business that specializes in selling eco-friendly products such as reusable bags, bamboo utensils, and organic cotton clothing. The owner, Mr. Greenleaf, is expanding the business and needs you to help organize the financial records for the first quarter of the fiscal year. Your task is to ensure that the accounting cycle is properly completed, from recording transactions to preparing financial statements. Mr. Greenleaf relies on you to help him understand the business's financial position and guide future decisions.

Big Question: How can the accounting cycle be used to record, analyze, and report the financial transactions of a merchandising business?

Focused Questions:

- What are the steps involved in the accounting cycle?
 - How do you record and post business transactions for a merchandising business?
 - What role do adjusting entries play in accurately reflecting the financial status at the end of an accounting period?
- How does a merchandising business differ from a service business in its accounting process?
 - What specific accounts (e.g., Sales, Cost of Goods Sold, Inventory) are unique to merchandising businesses?
 - How do purchases, sales, and returns impact the inventory and cost of goods sold?
- How are financial statements prepared at the end of the accounting cycle?
 - What information is provided by the income statement, balance sheet, and statement of owner's equity?
 - Why is it important to close temporary accounts at the end of a fiscal period?

Student Project Or Outcome: Students will act as accountants for Greenleaf Traders and complete the accounting cycle for the first quarter (January to March). They will record the transactions, post them to the general ledger, adjust entries, and prepare financial statements.

- **Journal Entries:** Record the following transactions:
 - Jan 5: Purchased inventory on account from EcoSuppliers for \$5,000.
 - Jan 10: Sold merchandise for \$3,000 on account, with a cost of goods sold of \$1,800.
 - Jan 15: Returned \$500 of inventory to EcoSuppliers due to defects.
 - Jan 20: Received payment from a customer for \$2,000.
 - Feb 5: Paid EcoSuppliers \$4,500 on account.
 - Feb 15: Paid office rent for February of \$1,000.
 - Mar 10: Made a cash purchase of inventory for \$2,500.
 - Mar 25: Recorded \$3,500 in cash sales, with a cost of goods sold of \$2,100.
- **Post to the General Ledger:** Transfer the journal entries to the general ledger and calculate account balances for:
 - Inventory
 - Accounts Payable

- Sales
- Cost of Goods Sold
- Cash
- Accounts Receivable
- **Adjusting Entries:**
 - Record an adjustment for accrued interest on a loan of \$150.
 - Adjust for unearned revenue of \$500 related to future deliveries.
- **Trial Balance:** Prepare an unadjusted trial balance, make the adjusting entries, and then prepare an adjusted trial balance.
- **Prepare Financial Statements:**
 - Income Statement for the first quarter
 - Balance Sheet as of March 31
 - Statement of Owner's Equity
- **Closing Entries:** Close temporary accounts (e.g., Sales, Cost of Goods Sold, Rent Expense) and prepare the post-closing trial balance.

Project-Based Assessment:

Rubric (Scoring from 1-5):

Students will be evaluated based on:

1. Accuracy of journal entries and general ledger postings
2. Correctness of adjusting and closing entries
3. Ability to produce accurate financial statements (Income Statement, Balance Sheet, Statement of Owner's Equity)
4. Understanding the role of different steps in the accounting cycle through written reflections or discussions
5. Presentation of final financial analysis to Mr. Greenleaf, explaining the financial health of the business and any recommendations for improvement

Teacher Resources:

- Textbook: *Fundamentals of Financial Accounting*—Chapter on Merchandising Operations and the Accounting Cycle
- Accounting Software: QuickBooks (or similar software for hands-on practice)
- Worksheet Templates: Journal entry template, general ledger, trial balance, and financial statement templates
- Supplementary Reading: Articles on the importance of inventory management in merchandising businesses
- Online Practice Tool: Interactive quizzes on the accounting cycle (e.g., Quizlet or similar platforms)

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