

Instructional Scenario

Landscaping Business



Course/Duty Area: Accounting / Understanding the Steps in the Accounting Cycle for a Service Business

Scenario: Mountain Empire Landscaping Services is a small landscaping company that offers lawn care, gardening, and landscaping design services to residential customers. The business is owned by Adam, who started it last spring and is eager to keep track of all financial activities to ensure success. The following key events took place at the start of the business:

- Adam invests \$10,000 in personal savings to start the business. This is recorded as an initial investment.
- On the first day of operation, Adam receives a \$300 payment for lawn care services from a local resident, Mrs. Dean.
- Adam purchases equipment (like a lawnmower and tools) for \$2,000 on credit, agreeing to pay the supplier within 30 days.
- Throughout the month, Mountain Empire Landscaping Services completes several jobs and earns a total of \$2,500 in cash and \$1,200 on credit for services rendered.
- Adam pays \$800 in salaries to employees and \$200 for supplies. Additionally, there is a utility bill of \$150 that's due at the end of the month.
- At the end of the month, Adam reviews all financial activities and decides to prepare the financial statements, including the income statement and balance sheet.

Big Question: What can Adam do to understand all the steps of the accounting cycle and how it pertains to the success of his business?

Focused Questions:

- Who makes the initial investment into the business?
- What is the difference between account payable and account receivable?
- What are the monthly expenses of the business?
- What is service revenue?
- What are the advantages and disadvantages of hiring someone to keep the books vs. doing it yourself?

Student Project or Outcome: Students can role play as Adam, making decisions on each step of the accounting cycle, or they can work in groups to create journal entries and financial statements based on the transactions listed.

Project-Based Assessment: Students will

- discuss how Adam identifies and records business transactions, such as service revenue and expenses
- use journal entries to record each transaction (e.g., cash received, expenses incurred)
- explain how these journal entries are posted to the general ledger, creating accounts for cash, accounts receivable, accounts payable, and equity
- prepare a trial balance to ensure that debits equal credits
- discuss the need for adjusting entries at the end of the month (e.g., for accrued expenses or unearned revenue)
- prepare the income statement and balance sheet based on the adjusted trial balance
- explain how to close temporary accounts (like revenue and expenses) to prepare for the next accounting period.

Teacher Resources:

- [The 8 Important Steps in the Accounting Cycle](#), Investopedia
- [The 8-step Accounting Cycle: A Beginner's Guide](#), QuickBooks

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