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| **TEXAS CTE LESSON PLAN**[www.txcte.org](http://www.txcte.org) |
| **Lesson Identification and TEKS Addressed** |
| **Career Cluster** | Finance |
| **Course Name** | Accounting I |
| **Lesson/Unit Title** | Accrued Revenue and Expenses |
| **TEKS Student Expectations** | **130.187 (c) Knowledge and Skills**(1) The student demonstrates professional standards/employability skills as required by business and industry. (A) The student is expected to demonstrate effective oral and written communication skills(B) The student is expected to perform numerical and arithmetic applications(E) The student is expected to demonstrate effective problem solving |
| **Basic Direct Teach Lesson**(Includes Special Education Modifications/Accommodations and one English Language Proficiency Standards (ELPS) Strategy) |
| **Instructional Objectives** | **Performance Objective:**Upon completion of this lesson, the student will demonstrate skill in calculating accrued revenue and expenses and analyzing and journalizing transactions relating to the accrual accounting system.**Behavioral Objectives:*** Define accounting terms related to accrued revenue and expenses.
* Analyze and journalize adjusting, closing and reversing entries for an accrual accounting system.
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| **Rationale** | Accruals are part of the accounting world for most businesses. The accrual method of accounting is where revenue is recorded when it is earned, regardless of when it is received, and expenses are recorded when they are incurred, regardless of when they are paid. This lesson will demonstrate how to calculate accrued revenues and expenses, as well as analyzing and journalizing transactions related to the accrual accounting system. |
| **Duration of Lesson** | Teacher’s Discretion |
| **Word Wall/Key Vocabulary***(ELPS c1a, c, f; c2b; c3a, b, d; c4c; c5b) PDAS II (5)* |  |
| **Materials/Specialized Equipment Needed** | **Materials, Equipment and Resources:*** Textbook
* Accounting Software
* Journal Input Forms
* Spreadsheet Software
* Computer
* Projector
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| **Anticipatory Set**(May include pre-assessment for prior knowledge) |  |
| **Direct Instruction \*** | This lesson has instruction on calculating accrued revenue and expenses as well as analyzing and journalizing adjusting, closing and reversing entries for an accrual accounting system.**Activity 7.8.2 – Calculating Accrued Interest**Purpose: Demonstrate skill in calculating accrued interest.1. Demonstrate calculation of accrued interest:

Issued a 6 month note receivable on September 1, 2003 for $5,000, 15% interest rate1. Ask your students to create an Accrued Interest spreadsheet for calculating accrued interest.
2. Have your students use the spreadsheet to provide answers for these accrued interest problems.

**Activity 7.8.3 – Entries for Accrued Interest**Purpose: Demonstrate skill in analyzing and journalizing adjusting, closing and reversing entries using an accrual system.1. Demonstrate the new accounts Interest Payable and Interest Receivable.
2. Using an Accrued Entries presentation, demonstrate the adjusting, closing and reversing transactions for an accrual system of accounting with interest expense and income.
3. Using an input form, analyze and journalize the transactions below:
	1. Adjusted Interest Expense for an 8 month note payable that was issued October 1, 2003. The principal was $6,700 at 7.9% interest rate.
	2. Prepared a closing entry for Interest Expense for the above account. There was no other balance in the account.
	3. Prepared the reversing entry for the letter above transaction.
	4. Paid cash for the above note on June 1, 2004.
	5. Adjusted Interest Income for a 45-day note received on December 1, 2003. The principal was $2,300 at 6% interest rate.
	6. Prepared a closing entry for the above transaction.
	7. Prepared an adjusting entry for the transaction in letter e.
	8. Received cash for the principal plus the note on January 15, 2004.
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| **Guided Practice \*** | * Observation
* Demonstration
* Verbal Drills
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| **Independent Practice/Laboratory Experience/Differentiated Activities \*** | **Activity 7.8.1 – What is an Accrual Accounting System?**Purpose: Demonstrate knowledge of terms related to an accrual accounting system and the reasons behind using the accrual accounting system.1. Have students research the Internet for articles on an accrual accounting system, citing a minimum of 3 resources for their writing.
2. Ask your students to write a 2-page summary of an accrual accounting system. In the summary, include these definitions:
	* accrued revenue
	* accrued interest income
	* reversing entry
	* accrued expenses
	* accrued interest expense
3. You might also want to give students a brief outline of what you want included in the summary.
4. Definition of an Accrual Accounting System
5. History of an Accrual Accounting System
6. Cash vs. Accrual System of Accounting
	1. Explanation of each system
	2. Pros and Cons
7. Why Use an Accrual Accounting System?
8. Summary
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| **Lesson Closure** |  |
| **Summative/End of Lesson Assessment \***  |  |
| **References/Resources/****Teacher Preparation** | Textbooks:Guerrieri, Donald J., Haber, Hoyt, Turner. Glencoe Accounting Real- World Applications and Connections. Glencoe McGraw-Hill 2000. ISBN/ISSN 0-02-815004-X.Ross, Kenton, Gilbertson, Lehman, and Hanson. Century 21 Accounting Multicolumn Journal Anniversary Edition, 1st Year Course. South- Western Educational and Professional Publishing, 2003.ISBN/ISSN: 0-538-43524-0Ross, Kenton, Gilbertson, Lehman, and Hanson. Century 21 General Journal Accounting Anniversary Edition, 7th Edition. South- Western Educational and Professional Publishing, 2003.ISBN/ISSN: 0-538-43529-1.Websites:CCH Business Owner’s Toolkit: The Accounting System. CCH Incorporated, 2009.  |
| **Additional Required Components** |
| **English Language Proficiency Standards (ELPS) Strategies** |  |
| **College and Career Readiness Connection[[1]](#footnote-1)** |  |
| **Recommended Strategies** |
| **Reading Strategies** |  |
| **Quotes** |  |
| **Multimedia/Visual Strategy****Presentation Slides + One Additional Technology Connection** |  |
| **Graphic Organizers/Handout** |  |
| **Writing Strategies****Journal Entries + 1 Additional Writing Strategy** |  |
| **Communication****90 Second Speech Topics** |  |
| **Other Essential Lesson Components** |
| **Enrichment Activity**(e.g., homework assignment) |  |
| **Family/Community Connection** |  |
| **CTSO connection(s)** | Business Professionals of AmericaFuture Business Leaders of America |
| **Service Learning Projects** |  |
| **Lesson Notes** |  |

1. Visit the Texas College and Career Readiness Standards at <http://www.thecb.state.tx.us/collegereadiness/CRS.pdf>, Texas Higher Education Coordinating Board (THECB), 2009. [↑](#footnote-ref-1)