AGEC Grade 8 Accounting Teacher Lesson Plan

Why Businesses do Accounting and the Accounting Cycle

The Allan Gray Entrepreneurship Challenge (AGEC) offers lesson plans that are interactive and CAPS-aligned, encouraging teachers to bring gamified learning into the classroom. These lesson plans enhance the CAPS curriculum per grade by highlighting one or two learning outcomes per subject that links to the AGEC High School Game, enabling fun integration and learning opportunities.

Subject: **Economic and Management Sciences (EMS)** **Strand:** **Financial Literacy**

Topic: **Why Businesses do Accounting and the Accounting Cycle**	**Part A:** Class discussion. The seven steps of the Accounting Cycle and why businesses do accounting.	**15 minutes**
	Part B: Work with a partner to play the AGEC High School Game and complete the worksheet.	**35 minutes**
	Part C: Completion of worksheet. Class discussion.	**10 minutes**

Resources: Access to internet, AGEC (**www.theentrepreneurshipchallenge.com**) and the "Worksheet for Lesson".
Vocabulary: Accounting, transactions, cash flow, source documents, subsidiary journals, general ledger, and financial statements.
Advance preparation: Print one worksheet for each learner. Ensure that all learners (working in pairs) have access to the AGEC website and High School Game (available on all devices - cellphone, laptop, computer, tablet).

Part A 15min Set the scene — Whole Class

Hold a class discussion. Ask Learners what the purpose of accounting is for a business. Draw the Accounting Cycle on the board/project on screen and walk learners through each step.

Accounting is defined as the art of classifying, recording and summarising transactions and then analysing and interpreting the data for a successful future output. It is the recording, interpreting, reporting and communicating of financial information. It is the process of identifying, measuring and communicating financial information, to permit informed judgements and decisions.

Purpose of Accounting:

1. Providing a business with efficient methods of recording transactions.
2. Allowing a business to manage its cash flow (funds flowing into and out of the business).
3. Allowing a business to make various decisions regarding the future of the business (would they like to expand, acquire more assets or employ more staff).
4. Enabling the business to keep accurate records of daily financial activities.
5. It is a specialised means of communicating financial information.
6. Enabling a business to determine the value of all our possessions/assets and all our debts/liabilities.
7. Showing us if the business has made a profit or a loss.

Why Businesses do Accounting and the Accounting Cycle

Part A 15min Set the scene (continued)

The **Accounting Cycle** refers to the **process of recording the accounting activities of the business**. These steps are completed over a 12-month period called the business financial year.

1. **A transaction takes place.** A financial transaction takes place when an event affects the finances of the business, for example when the business receives money from a sale or pays for stock or an expense.
2. **Capture information on Source Documents.** This is the evidence (on paper or electronically) of the transaction that occurred. The copy of the transaction document is our source document. A source document provides evidence of a transaction. Examples include receipts, invoices, deposit slips, till slips and bank statements.
3. **Record in the Subsidiary Journal.** These are the "books of first entry" as they are entered first into a Journal. Funds-in (business receives funds) goes into the Cash Receipts Journal (CRJ) and funds-out (business pays funds) goes into the Cash Payments Journal.
4. **Record in the General Ledger.** At month-end we transfer the transactions from the Journals to the General Ledger according to the double entry principle: for every debit entry, there is a corresponding credit entry, for the same amount.
5. **Determine the Trial Balance.** This is a list of closing balances captured in the General Ledger accounts on a certain date of the month and is step one of preparing the financial statements.
6. **Prepare the Financial Statements.** Also known as a financial report, this is a formal record of the financial position of a business, person or entity.
    - **Income statement:** Measures financial performance over the accounting period showing operating and non-operating activities, namely income, expenses, losses and profits.
    - **Notes to the Financial Statements:** Refers to "footnotes" providing the reader of the statement additional information and details not included in the Income Statement and Balance Sheet.
    - **Balance Sheet:** Shows the financial position of the business at a specific point in time by summarising its assets, liabilities, and equity. The basic accounting equation is:
      Assets = Owner's Equity + Liabilities.
7. **Analyse and interpret Financial Statements:** The process of taking the financial data and organising them to reveal a business's strengths and weaknesses. By highlighting this the owner can make more informed decisions to increase sales and profits and decrease expenses and debts.

Part B Prep Ensure that learners have access to the online game

What they will need: Any device (phone, tablet, or computer); internet or data to register; your school's details; an email address or mobile number; access to the AGEC website **www.theentrepreneurshipchallenge.com**.
Registration: Learners can register with an email address/mobile number. They have to choose their profile role type as 'High School Learner', complete the registration form and click on "start playing".
Logging into their gaming account: Once their email address or mobile number has been verified, they can log in again at any time on the AGEC website.

Why Businesses do Accounting and the Accounting Cycle

Part B 35min Play the game and do the worksheet With a partner

PREPARATION FOR NEXT STEPS:
- Read through the worksheet with learners. Make sure that they understand what is required of them. Point out that it will take time to play the game as they have to discuss as they go along.
- Support learners as they log in to the AGEC High School Game. Preferably learners work in pairs so that they can collaborate.

WORKSHEET INSTRUCTIONS:
- To complete the worksheet, learners should apply what they just learned about Accounting and the Accounting Cycle, combining that with information from the AGEC High School Game.
- Once learners have played through **six payday cycles** of the game, hold a short whole class discussion to check whether learners need any further support before they complete the worksheet.

TIP: At the end of gameplay, it could also be fun to reward the pair with the highest Business Value.

Part C 10min Discussion and Reflection In pairs and whole class

Hold a class discussion: Learners provide answers to the below questions based on their worksheet answers.

Learner Worksheet Questions:
1. Name three purposes of Accounting for a business.
2. What is the first step in the Accounting Cycle?
3. Why must transactions be recorded before recording financial statements?
4. What transactions did your business complete in the game? Name three.
5. Which transactions would be recorded in the Cash Receipts Journal (CRJ), and which would be recorded in the Cash Payments Journal (CPJ)?
6. If your business made a cash sale in the game, which source document would provide evidence of the sale, and in which journal would it be recorded?
7. Did your business have more money coming in than going out? How did the cash flow of your business affect your decision-making in the game?
8. What decisions did you make that increased your profit?
9. What decisions did you make that caused a loss or a problem?
10. How could accounting information help you make better decisions next time?

Additional Review Questions:
- What is one new thing you learned about accounting today?
- Why is it important for a business to record every transaction?
- If your business is making a profit but has no cash, what problem might it face?

Learners can play the AGEC High School Game throughout the year to improve their business acumen.

For more information about AGEC please visit www.theentrepreneurshipchallenge.com or send an email to info@theentrepreneurshipchallenge.com