Instructional Framework

Accounting

52.0301.00

This Instructional Framework identifies, explains, and expands the content of the standards/measurement criteria, and, as well, guides the development of multiple-choice items for the Technical Skills Assessment. This document corresponds with the Technical Standards endorsed on January 31, 2022.

Domain 1: Fundamental Accounting Process Instructional Time: 40 - 50%	
STANDARD 1.0 DEMONSTRATE THE STEPS OF THE ACCOUNTING CYCLE	
1.1 Explain the purpose of the accounting cycle	- Steps in the accounting cycle that must be completed during a fiscal period - Analyze transactions - Record - Post - Trial balance - Worksheet - Adjusting entries - Financial statements - Closing entries - Post-closing trial balance
1.2 Define terminology related to the accounting cycle (i.e., journal entry, trial balance, adjusting entries, financial statements, closing entries, etc.)	- Source documents - Journal entry - Double-entry accounting - Posting - Trial balance - Adjusting entries - Worksheet - Net income/net loss - Financial statements - Closing entries - Post-closing trial balance

1.3 Demonstrate the fundamental accounting equation (assets = liabilities + equity)	- Assets = liabilities + owner's equity - Accounting equation must always remain in balance
1.4 Classify items as assets, liabilities, or equity	- Asset - Liability - Owner's/stockholder's equity
1.5 Practice the double-entry system (debit and credit) of accounting	- Prepare journal entries - Double-entry accounting - Debits must always equal credits
1.6 Analyze the effect of business transactions on the basic accounting equation using source documents (i.e., bank statements, checks, invoices, deposits, etc.)	- Source documents - Bank statements - Service charges - Checks - Invoices - Sales and purchase - Deposits/receipts of cash - Memorandums
1.7 Journal/track basic business transactions (e.g., classify by account, determine account type, apply accounting equation, and maintain a record of all business transactions)	- Journal/track basic business transactions - Classify by account - Determine account type - Apply accounting equation - Debits = Credits - Maintain a record of all business transactions - Identify source document in the general journal
1.8 Differentiate among a journal, subsidiary ledger, and general ledger	- General journal - General ledger - Subsidiary ledger/controlling account - Accounts payable - Accounts receivable
1.9 Post transactions from the journal to the ledger (e.g., accruals, journal entry reversals, and adjusted journal entries)	- Five step process in posting - Transaction date - Post-reference (journal and page number)

	○ Debit or credit amount
	○ Update account balance
	○ Post-reference (account number)
	● Types of entries
	  ○ Accruals
	  ○ Journal entry reversals
	  ○ Adjusted journal entries

1.10 Determine how equity is affected by revenue, expense, and drawing accounts	● Closing entries at end of the accounting cycle
	  ○ Revenue increases the capital account
	  ○ Expenses decrease the capital account
	  ○ Drawing decreases the capital account

1.11 Explain how a trial balance worksheet is used	● Trial balance
	  ○ Prepared after all entries have been posted
	  ○ Included balances of all General Ledger accounts before adjusting entries
	  ○ Prove that debits equal credits

1.12 Prepare financial statements (e.g., financial statements, balance sheets, income statements, cash flow statements, and statement of shareholders' equity)	● Financial statements
	  ○ Balance sheets
	  ○ Income statement
	  ○ Cash flow statements
	  ○ Statement of shareholders' equity

1.13 Explain and prepare a post-closing trial balance	● Prove that debits equal credits after all adjusting and closing entries have been posted
STANDARD 3.0 APPLY PROCEDURES FOR ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE	
3.1 Establish and maintain the accounts receivable subsidiary ledger	● Open a customer account in the Accounts Receivable Subsidiary Ledger ● Post all customer transactions to the Accounts Receivable Subsidiary Ledger ● Prove that the Accounts Receivable Subsidiary Ledger is equal to the Accounts Receivable Controlling Account
3.2 Process sales orders and invoices received by mail and email	● Terms of payment (2/10, n/30)

	● Sales on account ● Purchases on account
3.3 Process customer payments	● Cash receipts ● Payments on account

3.4 Analyze accounts receivable using an aging schedule to determine doubtful accounts	● Aging of Accounts Receivable
	  ○ Current
	  ○ 31-60 days past due
	  ○ 61-90 days past due
	  ○ Over 90 days past due
	  ○ Calculate amount for adjusting entry based on predetermined percentages
	● Doubtful account/uncollectible account

3.5 Establish and maintain the accounts payable subsidiary ledger	● Open a vendor account in the Accounts Payable Subsidiary Ledger ● Post all customer transactions to the Accounts Payable Subsidiary Ledger ● Prove that the Accounts Payable Subsidiary Ledger is equal to the Accounts Payable Controlling Account
3.6 Maintain customer and vendor files	● Accounts receivable/customer ● Accounts payable/vendor
3.7 Process invoices for payment and data entry	● Payments received on account

3.8 Process accounts payable checks including electronic payments (e.g., ACH and EFT)	● Pay invoices on account
	  ○ Automated Clearing House (ACH)
	  ○ Electronic Funds Transfer (EFT)
	  ○ Cash or checks

STANDARD 5.0 EVALUATE ASSETS, LIABILITIES, AND EQUITY	
5.1 Define and use terminology related to assets and liabilities (i.e., current, long-term, contra-liabilities, fixed assets, etc.)	● Current assets and liabilities ● Long-term assets and liabilities ● Contra-liabilities

	○ Discount on notes payable ● Fixed assets ● Contra-asset ○ Allowance for uncollectible accounts, accumulated depreciation
5.2 Explain the purposes of notes receivable/payable	● Notes receivable ● Notes payable
5.3 Maintain inventory records	● Effects of purchases and sales on an inventory record
5.4 Apply inventory costing procedures (i.e., FIFO, LIFO, weighted average, etc.)	● FIFO (First in First out) ● LIFO (Last in First out) ● Weighted average
5.5 Compute the cost basis of fixed assets	● Original cost of the asset plus ○ Shipping, install, training
5.6 Calculate depreciation (e.g., Straight Line and Double Declining)	● Straight Line Depreciation ● Double Declining Balance Depreciation
5.7 Identify internal controls used to protect assets from loss, waste, theft, forgery, and embezzlement	● Limit physical access ● Inventory counts ● Internal and external audits ● Reconciliations
5.8 Review revenue recognition standards to determine when to record revenue	● Accrual accounting ○ Recognize revenue as it is earned not when payment is received

5.9 Determine cost of goods sold and gross profit	● Income statement
	  ○ Cost of goods sold
	    ■ Beginning inventory + Purchases - Ending Inventory
	  ○ Gross Profit
	    ■ Sales - Cost of Goods Sold

Domain 2: Accounting Business Practices
Instructional Time: 15 - 20%

STANDARD 6.0 UTILIZE BASIC BUSINESS, ECONOMIC, AND FINANCIAL MANAGEMENT PRACTICES

6.1 Describe chart of accounts and how it is used to organize accounting records and information	- Chart of accounts organization 100s - Assets 200s - Liabilities 300s - Equity 400s - Sales 500s - Expenses
6.2 Interpret a budget based on an organization's business plan	Purpose of a budget/spending plan
6.3 Interpret an income statement and a balance sheet for an organization	- Income statement analysis - Vertical analysis - Horizontal analysis - Balance sheet analysis
6.4 Interpret financial information for decision making and planning	- Income statement analysis - Impact of revenue and expenses on net income vs. net loss
6.5 Monitor and adjust business operations based on financial performance	- Income statement analysis - Recommendations to increase net income or reduce net loss
6.6 Describe the impact of quality internal business communications on the success of an organization	- Importance of effective communication in a business - Management decision making
6.7 Describe the importance of managing customer relations	- Effective customer communication - Maintaining good customer relations
6.8 Explain the role of insurance in managing risk	- Types - Liability insurance - Property insurance

	● Purposes
	  ○ Prevent against financial loss
	  ○ Reduced liability

6.9 Explain the role of accounting in support of the five functions of management (e.g., planning, organizing, directing, staffing, and controlling) and related decision making	● Role of accounting in support of the five functions of management
	  ○ Planning
	    ■ Budget
	  ○ Organizing
	    ■ Financial statements
	  ○ Directing
	    ■ Decision making
	  ○ Staffing
	    ■ Payroll
	  ○ Controlling
	    ■ Auditing

6.10 Identify different accounting practices among industries (i.e., service, merchandising, manufacturing businesses, etc.)	● Service ● Merchandising ● Manufacturing businesses

STANDARD 7.0 EVALUATE THE FUNCTIONS OF ACCOUNTING IN BUSINESS OPERATIONS	

7.1 Explain GAAP (Generally Accepted Accounting Principles) and other basic accounting methods	● Purpose of GAAP (Generally Accepted Accounting Principles)
	● Basic accounting methods
	  ○ Accrual method
	  ○ Cash method

7.2 Differentiate between taxation at the personal and business level	● Personal
	  ○ Federal income tax through withholding
	  ○ Based on earnings
	● Business
	  ○ Corporate tax based on net income

7.3 Explain the purpose of equity accounts (e.g., common stock, preferred stock, paid-in capital, retained earnings, and dividends for a corporation, and partnership drawing and capital accounts)	● Equity accounts
	  ○ Common stock
	  ○ Preferred stock

	○ Paid-in capital ○ Retained earnings ○ Dividends for a corporation ○ Partnership drawing ○ Capital accounts
7.4 Identify three basic types of business funding (i.e., operating, investing, financing, etc.)	● Types of business funding ○ Operating ○ Investing ○ Financing
7.5 Compare and contrast accounting requirements for not-for-profit, for-profit, and government organizations	● Accounting differences between not-for-profit, for-profit, and government organizations ○ Accounting standards ○ Statements ○ Reporting
STANDARD 10.0 EXAMINE ETHICAL STANDARDS IN THE ACCOUNTING PROFESSION	
10.1 Discuss and be able to identify common ethical issues in accounting (i.e., pressure to manipulate figures, fraudulent reporting, misappropriation of assets, errors of ethical omission, etc.)	● Pressure to manipulate figures ● Fraudulent reporting ● Misappropriation of assets ● Errors of ethical omission
10.2 Differentiate between ethical and legal accounting issues	● Ethical ○ Right and wrong ● Legal ○ Goes against a law currently in place
10.3 Explain the importance of high ethical standards in the preparation of financial statements	● Stakeholders of financial statements need accurate data ● Accounting is governed by rules that must be applied with every transaction

Domain 3: Cash Controls
Instructional Time: 10 - 15%

STANDARD 2.0 ANALYZE ACCOUNTING PROCEDURES FOR CASH CONTROL

2.1 Complete check stubs or register manually and using computerized systems	● Check stub
	  ○ Date
	  ○ Amount of the check
	  ○ To whom the check was written to
	  ○ What the check was for
	  ○ Balance carried forward / balance brought forward

2.2 Enter appropriate data on a deposit slip	● Deposit slip
	  ○ Date
	  ○ Amount of the deposit
	  ○ Who the money was from
	  ○ What the deposit is for

2.3 Reconcile a bank statement and correct any reconciling differences	● Compare bank statement to check register ● Identify outstanding checks ● Identify outstanding deposits ● Identify and journalize any bank charges ● Reconciled balances should equal

2.4 Demonstrate procedures for managing and reconciling cash manually and using computerized systems	● Proving cash
	  ○ Beginning balance
	  ○ Add all cash debits
	  ○ Subtract all cash credits
	  ○ Must equal balance on the check stub

2.5 Explain alternate currency exchange [i.e., Electronic Funds Transfer (EFT) process, wire, ACH, etc.]	● Electronic Funds Transfer (EFT) process ● Wire transfer ● Automated Clearing House (ACH)

2.6 Journal and reconcile credit card statements	● Reconcile credit card statement
	  ○ Check for unauthorized charges
	  ○ Journalize credit card service fee

Domain 4: Payroll
Instructional Time: 10 - 15%

STANDARD 4.0 GENERATE PAYROLL

4.1 Prepare and journal payroll records using manual and computerized systems (e.g., payroll accrual taxes)	- Create payroll register - Calculate regular and overtime earnings - Determine Federal Income tax - Calculate Social Security tax - Calculate Medicare tax - Calculate Net pay - Journalize payroll entry (employee) - Journalize employer taxes - Payroll accrual taxes - Year-end accruals
4.2 Calculate earnings for various methods of compensation (i.e., commissions, hourly, salary, etc.)	- Commissions - Hourly - Salary - Regular earnings vs. overtime earnings - Overtime 1.5 of regular earnings
4.3 Compute employee deductions to determine net pay (i.e., medical/insurance benefits, payroll taxes, etc.)	- Payroll taxes - Social Security tax - Medicare tax - Federal withholding using tax tables - State withholding - Other voluntary deductions - Medical/insurance benefits - Retirement
4.4 Calculate employer's payroll taxes	- Social Security tax (FICA) - Medicare tax (FICA) - Unemployment tax - State - Federal

4.5 Prepare basic federal payroll forms (e.g., W-2, W-4, 940, 941, and 1099) following the Federal Employment Law	- W-2 - W-4 940 - Report annual federal unemployment 941 - Report federal income taxes, social security taxes, and Medicare taxes 1099

Domain 5: Financial Performance
Instructional Time: 5 - 10%

STANDARD 8.0 EVALUATE THE FINANCIAL PERFORMANCE OF A BUSINESS

8.1 Analyze current and long-term assets/liabilities including their impact on the financial statements	- Current assets and liabilities - Long-term assets and liabilities
8.2 Analyze the statement of cash flow and the effect on healthy performance	Purpose of cash flow statement
8.3 Calculate financial ratios (i.e., price earnings, quick, liquidity, and merchandise inventory turnover, etc.)	- Financial ratios - Price earnings - Quick - Liquidity - Merchandise inventory turnover
8.4 Determine the effect of changes in sales volume, unit costs, and unit sales process on net income (e.g., price and quantity variances)	- Price variance - Changes in price and how net income is affected - Quantity variance - Changes in quantity and how net income is affected

STANDARD 9.0 USE TECHNOLOGY TO MANAGE FINANCIAL INFORMATION

9.1 Use software to organize, calculate, and complete an accounting financial statement (i.e., Power BI, Excel, QuickBooks, etc.)	- Accounting financial statement software - Power BI (Microsoft data visualization) - Excel - QuickBooks

9.2 Use software to analyze and/or audit financial information and condition of a business	● Financial statement preparation and analysis ● Generate financial reports