

# Accounting for a Sports-Based Business

## Overview

The purpose of this assignment is to allow you to work through the accounting cycle for a sports-based business. You will be creating transactions that are typical of the business you choose. After creating the transactions, you will record them using Simply Accounting. You will prepare adjusting, closing and reversing entries using Simply Accounting. An income statement and balance sheet will also be prepared using MS Excel based on the adjusted trial balance you will generate from Simply Accounting.

You will be able to identify transactions and assets that are common for your chosen type of business and prepare adjustments that would be common in your area of interest.

## Learning Goals

Through this assignment, the student will demonstrate that he/she can:

- identify and describe a business based on sport
- identify assets appropriate for a sports-based business
- describe transactions that would be appropriate and common to the sports-based business of choice
- apply accounting principles to the monthly accounting cycle for a business
- journalize transactions using Simply Accounting
- recognize adjustments that are needed and prepare the adjusting entries
- prepare an income statement and balance sheet using MS Excel
- prepare closing entries
- identify and prepare required reversing entries

## Part 1: Research and Interview Activity

Pick a business that interests you. The business may be either a service or merchandising business or a combination of both.

You will need to conduct some research to learn about typical transactions, assets, and useful life of assets used by sports-based businesses. Your research may be done using online or print resources as well as interviews with people working in your chosen area.

There are many options for businesses based on sports. Some possibilities include:

Merchandising	Service
<ul style="list-style-type: none"><li>• sporting goods retailers</li><li>• sport-related apparel stores (suppliers of uniforms and equipment to teams)</li><li>• nutritional/performance products</li></ul>	<ul style="list-style-type: none"><li>• Fitness centres/gyms</li><li>• Sports medicine clinics or therapists</li><li>• Personal trainers</li><li>• Instructors and training schools, e.g., martial arts, powerskating, gymnastics, etc.</li><li>• Sports camps</li><li>• Professional or semi-professional sports teams</li><li>• Recreation and sports centres</li><li>• Nutrition counseling</li></ul>

You will need to find the following information about your chosen business:

- Typical transactions for the business that occur in a month
  - How are sales made (cash, debit/credit cards, on account)
  - How often are sales made (daily, monthly, seasonally, etc.)
  - How are purchases made (on account, cash, etc.)
  - What kinds of transactions would involve the business receiving money before the service/good is provided (unearned revenue)
  - What kinds of expenses would the business need to pay for before they are used (prepaid expenses)
  - Typical expenses incurred and how often they are purchased/paid for
- Typical assets needed by the business
  - List current and long term assets
  - For long term assets, find out the expected useful life of each type of asset, e.g., buildings, various types of equipment

The information that you gather must be included with your final assignment.

**Make sure you document the sources of information for all research that you do.**

### Part 2: Accounting for a Sports-Based Business

1. Give your business a name and describe what your business does. Make sure you fully describe the goods or services that your business provides. *(MS Word)*
2. List the assets and useful life that your business needs in chart form as below: *(MS Word)*

<u>Asset</u>	<u>Expected Useful Life</u>
Zamboni	10 years

3. List the accounts and starting balances that you will use for this assignment. *(MS Excel)*
  - a. Put your list of accounts and balances in the format of a trial balance.
  - b. Assume that the business has been in business for some time already and has balances in the accounts.
  - c. You must include at least 10 assets, 3 liabilities, 1 capital, 1 drawings, 1 revenue and 5 expenses.
  - d. Make sure total debits equal total credits.
4. Create your accounts in Simply Accounting. You may use the template provided by your teacher and add the additional accounts and balances or begin from scratch. *(Simply Accounting)*
5. Create 10 transactions that would be typical for your business in a month. *(MS Word)*
  - a. Make sure your transaction descriptions include all pertinent information: dollar values, names of customers or suppliers, method of payment (cash, cheque, debit/credit card, on account, etc.)
  - b. Make some of your transactions more complicated by involving more than two accounts.
  - c. Use both credit and cash transactions.
  - d. You may include the purchase of assets specific to the sports business as part of your transactions. (e.g., an ice rink purchasing new rink boards)
  - e. Include all types of accounts in your transactions (assets, liabilities, capital, drawings, revenue, expenses)

6. Provide the information for at least five adjusting entries for the end of the month. (*MS Word*)
  - a. Include all types of adjustments (accruals, prepayments, estimates).
  - b. Make the adjustments relevant to your business and the transactions you created above. For example, you may have to adjust the unearned revenue account.
7. Prepare the adjusting entries in Simply Accounting.
8. Print a trial balance after the adjusting entries. Make sure you use the month end date on the trial balance.
9. Use the adjusted trial balance to prepare the income statement and balance sheet in proper form. (*MS Excel*)
10. Prepare the closing entries in Simply Accounting.
11. Print a trial balance after closing.
12. Assume the company you chose prepares reversing entries. Use Simply Accounting to prepare any reversing entries that would be made. Be sure to use the first day of the new fiscal year for the reversals.
13. Print a trial balance after the reversing entries have been made.

Submit to Teacher:

- Interview/research notes
- Word document (description of business, asset list, transactions)
- Simply Accounting reports (all journal entries (regular to reversing), adjusted trial balance, post-closing trial balance, trial balance after reversing entries)
- Excel Worksheets (starting trial balance, income statement and balance sheet)

## Accounting for a Sports-Based Business – Rubric

	Level				Level Assigned
	4	3	2	1	
<b>Knowledge</b> Student meets requirements with _____ effectiveness:					
<ul style="list-style-type: none"> <li>Creates a sports-based business</li> <li>Identifies assets appropriate for the sports-based business described</li> </ul>	High degree of	Considerable	Some	Limited	
<b>Thinking</b> Student meets requirements with _____ effectiveness:					
<ul style="list-style-type: none"> <li>Transactions are appropriate for the business chosen</li> <li>Transactions communicate intricacies of the sports-based business (e.g., appropriate use of unearned revenue)</li> <li>Variety in type and complexity of transactions</li> <li>Information provided for adjustments is reasonable based on research (e.g., useful life of assets)</li> </ul>	High degree of	Considerable	Some	Limited	
<b>Communication</b> Student meets requirements with _____ effectiveness:					
<ul style="list-style-type: none"> <li>Transactions provide all pertinent information (amounts, full description)</li> <li>Assignment is edited for spelling and grammar</li> <li>Financial statements prepared correctly (accounts, amounts, classifications, calculations, formatting, titles, etc.)</li> </ul>	High degree of	Considerable	Some	Limited	
<b>Application</b> Student meets requirements with _____ effectiveness:					
<ul style="list-style-type: none"> <li>Starting trial balance is balanced</li> <li>accounts created in Simply Accounting (logical order and type)</li> <li>GAAP applied correctly in recording transactions and adjustments</li> <li>Transactions recorded in journal correctly</li> <li>Adjusting entries prepared correctly (amounts and accounts)</li> <li>All required adjustments have been made</li> <li>All required accounts have been closed</li> <li>Required reversals identified and entries prepared</li> <li>Adjusting, closing and reversing entries made on correct dates</li> </ul>	High degree of	Considerable	Some	Limited	