



Exercise 1: Complete Worksheet Evaluating Internal Controls

Lesson 2: Overview of Accounting Rules and Regulations

Scenario:

In this exercise, you will determine if the internal control for each scenario is acceptable or not.

The objective of this exercise is to help you think about how internal controls impact our daily activities so you can be aware of what is an acceptable internal control.

Instructions:

For each of the scenarios listed below, write either yes or no if the internal control listed is acceptable or not.

Internal Control Scenario	Internal Control Acceptable? (Yes / No)
1. Someone in the accounts payable department attends a conference and spends \$2,500. The employee doesn't get any manager approval to attend conference or to review expense report before payment is reimbursed.	
2. Employee is provided with a procurement card to make purchases of departmental supplies on the card. The employee spent \$125 in purchases, but no receipts were required to validate the purchases that were made.	
3. You have a new vendor that was setup in the accounting system that needs to be paid \$25,000. Your internal policy requires a signed W-9 before payment is made, but the W-9 wasn't provided until the end of the year. The payment was made with manager approval without W-9.	
4. You have several bank accounts in your agency, but due to the transition of employees in the department, no one has reconciled the bank accounts for the past three months.	
5. You are in the accounts payable department in a small agency. You setup a vendor, create a voucher and process payment without anyone else approving transaction or payment.	
6. Manager approval of checks is required if the check is over \$2,500, but no backup documentation is required for the manager to approve the check.	
7. A supplier of coffee for the department makes a delivery and expects immediate payment of \$75. Employee makes payment from office petty cash and records transaction. At the end of the month, all petty cash transactions are reconciled with documentation provided and approved by the department manager.	



Exercise 2: Identify Transactions by Fund

Lesson 3: Overview of Governmental and Fund Accounting

Scenario:

Government transactions are always categorized by fund.

Instructions:

For each of the transactions listed below, write in the following fund information that would be needed to select the:

- Fund Category (Governmental, Proprietary, Fiduciary)
- Fund Type (General, Capital Project, Debt Service, etc...)

#	Transaction	Fund Category	Fund Type
Sample	Funds received by highway user fees	Governmental	Special Revenue Funds
1	Costs to operate the accounting department in an agency funded by the General Fund		
2	Building new shipping terminal to expand trade		
3	Monthly interest expenses on outstanding loans		
4	Record funds received from new State Lottery product		
5	Administration costs to operate Virginia College Savings Plan		
6	Management of Virginia Employees' Pension		
7	Repairing road damage from winter storms		
8	Health research to improve well-being of Virginia residents		
9	Operation of the Cardinal Project and related information systems		
10	Healthcare costs for retirees		



Exercise 3: Identify Transactions by Account Type

Lesson 4: Accounting is Transaction Driven

Scenario:

Transactions or activities may involve more than one Account Type. It is important to determine the particular Account Types that apply.

Instructions:

For each of the transactions listed below, write in the Account Types that would be applicable for the transaction based on the Account Types listed below:

- Asset
- Liability
- Fund Balance
- Revenue
- Expenditure

Transaction #	Transaction	Account Type #1	Account Type #2
1	License / Permit Fees for tree cutting were received by the Forestry Department	Asset	Revenue
2	Received invoice for office supplies that were previously ordered. Payment will be made in 30 days.		
3	Made one-time sale of obsolete inventory items to a scrap dealer for cash		
4	Received cash from bank loan that was setup		
5	Sent notices for property taxes to be received in 30 days		
6	Received cash from property taxes previously billed to property owners (from #5 above)		
7	Recorded employee expenses from trip to industry conference with reimbursement to occur on 10 th of next month		



Exercise 3: Identify Transactions by Account Type (continued)

Transaction #	Transaction	Account Type #1	Account Type #2
8	Received and paid for vehicle parts		
9	Paid cash for Investments in stocks and bonds		
10	Received cash from current week museum entrance fees		
11	Received invoice for consulting fees incurred during current month, but will be paid next month		
12	Paid for consulting fees (from #11)		



Exercise 4: Create Double-Entry Worksheet for Accounting Transactions

Lesson 5: Mechanics of Double-Entry Accounting

Scenario:

You now want to record the transactions from the previous exercise in journal format.

Instructions:

For each of the transactions listed below, complete the double-entry ledger worksheet provided based on the journal transactions listed below.

Fill in the following information:

- Journal #
- Account Name
- Debit Amount
- Credit Amount
- Transaction Description

Account Information for Exercise:

<u>Account Name</u>	<u>Account Type</u>
Cash	Asset
Accounts Receivable	Asset
Due From Other Agencies	Asset
Investments - Stocks and Bonds	Asset
Accounts Payable	Liability
Loans Payable	Liability
Due to Other Agencies	Liability
License Fees	Revenue
Technology Fees	Revenue
Office Supplies Expense	Expenditure
Interest Expense	Expenditure
Salaries Expense - IT Department	Expenditure
Trade Show Expense	Expenditure



Exercise 4: Create Double-Entry Worksheet for Accounting Transactions (continued)

Journal #	Accounting Transaction
1	Assessed License Fees to local businesses for \$15,000
2	Received and deposited cash from license fees for \$15,000 recorded in journal transaction #1
3	Received invoice for \$300 from purchase of office supplies with bill to be paid in 30 days
4	Paid for office supplies of \$300 from journal transaction #3
5	Record monthly salaries in your own IT services department for \$1,500 to be paid on the 5 th of the next month
6	Purchased and paid \$750 to add stocks to investment portfolio
7	Signed a bank loan and received \$1,200 with payments due monthly plus interest
8	Paid monthly installment on bank loan of \$110 (\$100 principal plus \$10 interest) from journal transaction #7
9	Your agency provided \$400 in technology services for Agency XYZ, but no payment was received by period-end
10	Your agency (DOA) received an invoice of \$600 for police traffic services performed at the annual trade show.



Exercise 4: Create Double-Entry Worksheet for Accounting Transactions (continued)

<u>Journal #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
1			
2			
3			
4			
5			



Exercise 4: Create Double-Entry Worksheet for Accounting Transactions (continued)

Journal #	Account Name	Debit	Credit
6			
7			
8			
9			
10			



Exercise 5: Complete T-Account Worksheet for Accounting Transactions

Lesson 5: Mechanics of Double-Entry Accounting

Scenario:

You have been given several transactions to record. To understand the accounting you want to complete T-Accounts based on the journal transactions in the prior exercise.

Instructions:

For each of the transactions listed below, complete the T-Account journal entry with the following information in the T-account worksheet that is attached.

- Journal #
- Debit Amount
- Credit Amount

Journal #	Accounting Transaction
1	Assessed License Fees to local businesses for \$15,000
2	Received and deposited cash from license fees for \$15,000 recorded in journal transaction #1
3	Received invoice for \$300 from purchase of office supplies with bill to be paid in 30 days
4	Paid for office supplies of \$300 from journal transaction #3
5	Record monthly salaries in your own IT services department for \$1,500 to be paid on the 5 th of the next month
6	Purchased and paid \$750 to add stocks to investment portfolio
7	Signed a bank loan and received \$1,200 with payments due monthly plus interest
8	Paid monthly installment on bank loan of \$110 (\$100 principal plus \$10 interest) from journal transaction #7
9	Your agency provided \$400 in technology services for Agency XYZ, but no payment was received by period-end
10	Your agency (DOA) received an invoice of \$600 for police traffic services performed at the annual trade show.



Exercise 5: Complete T-Account Worksheet for Accounting Transactions (continued)

Cash (Asset)	
Debit	Credit

Accounts Receivable (Asset)	
Debit	Credit

Due From Other Agencies (Asset)	
Debit	Credit

Investments - Stocks and Bonds (Asset)	
Debit	Credit

Accounts Payable (Liability)	
Debit	Credit

Due to Other Agencies (Liability)	
Debit	Credit



Exercise 5: Complete T-Account Worksheet for Accounting Transactions (continued)

Loans Payable (Liability)	
Debit	Credit

Technology Fees (Revenue)	
Debit	Credit

License, Tax, and Fees (Revenue)	
Debit	Credit

Trade Show Expense (Expenditure)	
Debit	Credit

Office Supplies Expense (Expenditure)	
Debit	Credit

Interest Expense (Expenditure)	
Debit	Credit

Salaries Expense - IT Department (Expenditure)	
Debit	Credit



Exercise 6: Complete Journal Transactions Using Cardinal Chart of Accounts

Lesson 6: Chart of Accounts (COA)

Scenario:

You need to enter several journal transactions using the Cardinal Chart of Accounts into the general ledger.

Instructions:

For each of the transactions listed below, complete the double-entry ledger worksheet using the Cardinal COA sample list provided.

Accounting Entry #	Accounting Transaction
1	Personnel Department purchased \$300 printer for the Payroll Operations Program
2	Paid \$300 for printer to local supplier based on accounting entry #1
3	Literary Fund sent you an invoice for \$700 in postage to mail materials on our behalf (DOA - Computer Services Department)
4	Correct accounting entry #3 that should be charged to printing services not postal services
5	DOA (Personnel Department) received \$800 for payment of Licenses & Permits



Exercise 6: Complete Journal Transactions Using Cardinal Chart of Accounts (continued)

Sample Cardinal Chart of Accounts:

Cardinal Fund	Cardinal Description
01000	General Fund

Cardinal Department	Cardinal Description
93100	Personnel
99999	DOA

Cardinal Program	Cardinal Description
724004	Computer Services
737003	Payroll Operations

Cardinal Account	Cardinal Description	Account Type
101010	Cash With The Treasurer Of VA	ASSET
213006	Due To Literary Fund	LIABILITY
205020	Accounts Payable	LIABILITY
4002100	Licenses & Permits Revenue	REVENUE
5012140	Postal Services	EXPENSE
5012150	Printing Services	EXPENSE
5022170	Expenditure - Other Computer Equipment	EXPENSE



Exercise 6: Complete Journal Transactions Using Cardinal Chart of Accounts (continued)

Journal #	Account Name	Fund #	Department	Program	Account	Debit	Credit
1		01000					
		01000	99999	n/a			
2		01000	99999	n/a			
		01000	99999	n/a			
3		01000	99999				
		01000	99999	n/a			
4		01000	99999				
		01000	99999				
5		01000	99999	n/a			
		01000		n/a			



Exercise 7: Answer Questions Related to Financial Statements

Lesson 7: Period Close and Overview of Common Financial Statements

Scenario:

You have been provided sample financial statements to assist in answering the questions.

Instructions:

Based on the list of transactions, write down the financial statement(s) and the line items that would be updated as a result of the transaction. Remember that each transaction can affect more than one account.

For each of the questions below, please provide the following information:

- Which line items on the financial statements that would be updated (e.g., amount increased or decreased) due to the transaction? A sample copy of the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances have been provided.
- Which financial statement would be updated for the transaction?
 - Balance Sheet
 - Statement of Revenues, Expenditures, and Changes in Fund Balance

For example:

#	Transaction	Financial Statement Line Item	Debit / Credit	Increase or Decrease	Balance Sheet	Statement of Revenues, Expenditures and Changes in Fund Balances
Sample	A purchase of photocopy paper was made and paid to the vendor in cash.	General Government	Debit	Increase		X
		Cash	Credit	Decrease	X	



Exercise 7: Answer Questions Related to Financial Statements (continued)

#	Transaction	Financial Statement Line Item	Debit / Credit	Increase or Decrease	Balance Sheet	Statement of Revenues, Expenditures and Changes in Fund Balances
1	Paid for annual insurance premiums in advance of coverage term that hasn't yet begun. (Hint: Prepaid)					
2	Received funds from homeowners property taxes paid in <u>advance</u> of the tax year (Hint: Deferred _____)					
3	Funds have now been approved for a new highway that hasn't been constructed yet. The unassigned funds now need to be committed. (Hint: See Fund Balances)					
4	Received the funds from a new loan due in 5 years					
5	Received funds for tax amounts <u>paid</u> by businesses and residents of the Commonwealth					



Exercise 7: Answer Questions Related to Financial Statements (continued)

#	Transaction	Financial Statement Line Item	Debit / Credit	Increase or Decrease	Balance Sheet	Statement of Revenues, Expenditures and Changes in Fund Balances
6	Recorded tax amounts owed from businesses and residents of the Commonwealth, but haven't been received.					
7	Record Federal Grant that has been awarded and expenditures have occurred. Agency is awaiting reimbursement.					
8	Recorded salaries for the period that were earned, but not yet paid.					
9	The General Fund records the receipt (e.g., transfer-in) of funds from the State Lottery Fund.					



Exercise 7: Answer Questions Related to Financial Statements (continued)

Example Financial Statements:

Balance Sheet
June 30, 2013
(Dollars in Thousands)

Assets:		Liabilities and Fund Balance:	
Cash	\$2,500	Accounts payable	\$300
Investments	400	Accrued liabilities	2,000
Receivables	1,900	Deferred revenue	800
Inventory	600	Other liabilities	2,300
Prepaid items	800	Loans payable	600
Other assets	3,000	Bonds payable	900
		Total Liabilities	<u>6,900</u>
Total assets	<u>\$9,200</u>		
		Fund Balances:	
		Nonspendable	500
		Restricted	600
		Committed	800
		Unassigned	400
		Total Fund Balances	<u>2,300</u>
		Total Liabilities and Fund Balance	<u>\$9,200</u>



Exercise 7: Answer Questions Related to Financial Statements (continued)

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2013

(Dollars in Thousands)

Revenues:

Taxes	\$600
Rights and Privileges	2,300
Institutional Revenue	800
Interest, Dividends, and Other Income	1,200
Federal Grants and Contracts	700
Other	900
Total Revenues	<u>6,500</u>

Expenditures:

General Government	1,600
Education	1,100
Salaries	700
Individual and Family Services	1,300
Administration of Justice	900
Other	400
Total Expenditures	<u>6,000</u>

Revenues Over (Under) Expenditures	<u>500</u>
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Other Financing Sources (Uses):

Transfers In	1,400
Transfers Out	(800)
Other	600
Total Other Financing Sources (Uses)	<u>1,200</u>

Net Change in Fund Balances	1,700
Fund Balance, July 1 2012	<u>600</u>
Fund Balance, June 30, 2013	<u>\$2,300</u>



Exercise 8: Complete Worksheet with T-Account Transactions

Lesson 7: Period Close and Overview of Common Financial Statements

Scenario:

Simulate the period-close and financial statement preparation process by performing a summary version of those steps.

The objective of this exercise is to incorporate the concepts and information from all the prior lessons into an exercise that would provide you with a summarized version of performing the main steps in a period-end close.

Instructions:

Based on the journal transactions that were entered as part of Exercise #4 and #5, you will now use that information to fill in the missing information in the following worksheets:

- T-Accounts
- Trial Balance
- Statement of Revenues, Expenditures, and Changes in Fund Balance
- Balance Sheet

Perform the following steps in order to present the summarized version of the financial statements:

1. T-Account Worksheet – total debit and credit balances only for each account listed. The transactions were already created in exercises #4 and #5.
2. Trial Balance – update balances in trial balance based on balance from T-Account worksheet
3. Statement of Revenues, Expenditures, and Changes in Fund Balance – update the line items that do not have balances
4. Balance Sheet – update the line items that do not have balances



Exercise 8: Complete Worksheet with T-Account Transactions (continued)

T-Accounts:

Cash (Asset)		
Debit	Credit	
Beg. Bal.	1,000	
(2)	15,000	
		300 (4)
		750 (6)
7	1,200	
		110 (8)

Accounts Receivable (Asset)		
Debit	Credit	
Beg. Bal.	2,000	
(1)	15,000	
		15,000 (2)

Due From Other Agencies (Asset)		
Debit	Credit	
(9)	400	

Investments - Stocks and Bonds (Asset)		
Debit	Credit	
Beg. Bal.	250	
(6)	750	

Accounts Payable (Liability)		
Debit	Credit	
	500	Beg. Bal.
	300	(3)
(4)	300	
	1,500	(5)



Exercise 8: Complete Worksheet with T-Account Transactions (continued)

Due To Other Agencies
(Liability)

Debit	Credit
	600 (10)

Loans Payable
(Liability)

Debit	Credit
	0 Beg. Bal.
	1,200 (7)
(8) 100	

License, Tax, and Fees
(Revenue)

Debit	Credit
	15,000 (1)

Technology Fees
(Revenue)

Debit	Credit
	400 (9)

Office Supplies Expense
(Expenditure)

Debit	Credit
(3) 300	

Trade Show Expense
(Expenditure)

Debit	Credit
(10) 600	

Salaries Expense - IT Department
(Expenditure)

Debit	Credit
(5) 1,500	

Interest Expense
(Expenditure)

Debit	Credit
(8) 10	



Exercise 8: Complete Worksheet with T-Account Transactions (continued)

Trial Balance:

Account Name	Debit	Credit
Cash		
Investments - Stocks and Bonds		
Accounts Receivable		
Receivable from Other Funds	2,900	
Due From Other Agencies		
Inventory	200	
Prepaid items	100	
Accounts Payable		
Due To Other Agencies		
Bank Loan		
Deferred Revenue		2,000
Deferred Taxes		1,000
Fund Balance (Current Year Beginning Balance)		2,750
Taxes		
Technology Fees		400
Institutional Revenue		200
Interest, Dividends, Rent		100
Federal Grants and Contracts		200
Office Supplies		
Trade Show Expense		
Travel - Airfare/Lodging	300	
Salaries - IT Department		
Interest Expense		



Exercise 8: Complete Worksheet with T-Account Transactions (continued)

Financial Statements:

Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Month Ended July 31, 2013

(Dollars in Thousands)

Revenues:

Taxes	
Technology Fees	
Institutional Revenue	
Interest, Dividends, and Other Income	100
Federal Grants and Contracts	
Total Revenues	

Expenditures:

Office Supplies	
Trade Show Expenses	600
Travel	
Salaries	
Interest Expense	
Total Expenditures	

Revenues Over (Under) Expenditures

Other Financing Sources (Uses):

Transfers In	500
Transfers Out	(500)
Total Other Financing Sources (Uses)	0

Net Change in Fund Balances	
Fund Balance, July 1 2013	2,750
Fund Balance, July 31, 2013	



Exercise 8: Complete Worksheet with T-Account Transactions (continued)

Balance Sheet
July 31, 2013
(Dollars in Thousands)

Assets:

Cash	
Investments	
Receivables	
Due From Other Agencies	
Inventory	
Prepaid items	100

Total Assets

Liabilities and Fund Balance:

Accounts payable	
Due To Other Agencies	
Bank Loan	
Deferred revenue	
Deferred taxes	1,000
Total Liabilities	

Fund Balance

Total Liabilities and Fund Balance