



Accounting Simulation

Chapter 1

(70 points)

Objective: Apply skills and concepts learned in Chapter 1 in a simulated business setting
 Standards: I.1-4, IV.A.1

Throughout the semester, you will participate in a group business simulation activity to reinforce and apply the skills you are learning. Simulation activities will be conducted at the end of each chapter prior to the chapter test. Each group will be responsible for establishing a service business and will perform the accounting functions for that business through an entire accounting cycle. In addition, each group will analyze the financial statements of Best Buy Incorporated and other companies

1. Choose the type of service business you will conduct (2 points)
 - remember the definition of a service business
2. Choose a name for your business (2 points)
3. Choose the name of your sole proprietor (1 point)
4. Select a location (not necessary city/state, but where within a city) and explain why that is a beneficial location for your type of business (5 points)
5. Describe your business – what types of service do you offer? (5 points)
6. Create a flyer (using Microsoft Word, Publisher or Powerpoint) about your company. Include the name, name of sole proprietor, services offered and some pictures (5 points)
 - print TWO copies, using the color printer
7. Using the transaction sheet provided, complete the following transactions. Limit transaction amounts to no more than \$500. Make sure to include the proper account titles as well as indicating whether the transaction increases or decreases the accounts. Use today's date for the transactions (4 points each)
 - Receive a \$5,000 investment from owner
 - Pay for a one year insurance policy with cash
 - Buy supplies for cash
 - Buy supplies on account (remember to provide a name for your supplier)
 - Pay ½ of the balance of you Account Payable
 - Receive cash for sales
 - Sell services on account (remember to provide a name for your client)
 - Receive ½ payment from client
 - Pay cash for rent
 - Pay cash to owner for personal use
8. Total your transactions. Does your accounting equation balance? If not, find and correct your mistakes (5 points)

9. Refer to Best Buy's Financial Statements in Appendix B of your textbook. In the notes to Consolidated Financial Statements is a description of Best Buy's business operations. Describe Best Buy's operations, including a description of its operating segments. (5 points)

Chapter 1 Simulation Information sheet

Group members:

Name of Business: _____

Name of Sole Proprietor: _____

Type of Business: _____

Location and rationale:

Business Description:

Best Buy Business Description:
