

Class 1: What is “Good” Accounting?

If we want to have a discussion about how to properly track expenses in Foundation we first need to understand what the distinction between good and bad accounting is. As you may have guessed, the answer isn't black and white. One thing is for sure though, good accounting starts with a good chart of accounts.



Exercise: What Makes a Chart of Accounts Good?

Most clients come to Foundation with a chart of accounts that isn't optimal. They likely have accounts that won't be necessary once they start using Foundation, multiple accounts that are tracking the same thing, or accounts that can be removed altogether. In this exercise, it will be your job to play the role of the accountant and clean up the chart of accounts.

Your facilitator will divide you up into groups, provide you with a sample chart of accounts, and give your group time to answer some questions about it. When the time is up, the questions will be reviewed as a class.

Note: When answering these questions you don't need to come up with every answer possible. In fact, there isn't enough space on the page for every answer. The goal here is to get you thinking about what makes a good chart of accounts. Be prepared to discuss your responses to the questions.

When asked to identify an account's type or number, use the following options:

Account Type	Number
Asset	1000
Liability	2000
Equity	3000
Revenue	4000
Direct Expense	5000
Indirect Expense	6000
Overhead Expense	7000

1. Which accounts should be combined into a single account? What is the new account name and number?

Accounts to Combine	New Account Name/Number	Accounts to Combine	New Account Name/Number

2. Which accounts should be removed from the chart of accounts? Why?

Accounts to remove	Reason why

3. For each of the following accounts, identify its type and explain why the account should be labeled as such.

Account	Type & #	Reason
Accum. Depreciation		
Bad Debt		
Cash Discounts		
Depreciation Expense		
Earned Discount		
Rebates		
Scrap Metal		
Warranty		

After completing the exercise, summarize 3 factors that make a good chart of accounts:

1. _____

2. _____

3. _____

Class 2: What is Job Costing?



Recall: What is “Good” Accounting?”

Your facilitator will provide you with a short recall exercise regarding your last class.



Exercise: What is Job Costing?

Job costing can be a tricky thing to define. As daily users of Foundation, you take for granted that when clients need help with job costing, they typically need help understanding how it works in Foundation, not what it is as a concept.

Your facilitator will break you up into small groups. Each group will be handed a question and given some time to come up with an answer. Type out your answer on your computer and be prepared to share it with the class.



Exercise: Using Something Familiar to Explain Job Costing

Job costing is a lot easier to understand and explain when using an example that everyone has done, such as baking a cake. This familiarity also makes it easier to start explaining how Foundation job costs transactions.

Your facilitator will break you up into small groups. Each group will examine the scenario below and then answer questions about it.

Scenario

Your friend has asked you to make a cake for an upcoming birthday. They insist on paying you, but you’ve never charged someone for a cake before and aren’t sure how to come up with a price.

The recipe has for the cake and frosting is as follows:

Cake	
2 Sticks Unsalted Butter	3 Cups All-Purpose Flour
1 Tablespoon Baking Powder	1 Teaspoon Salt
1 1/4 Cup of Sugar	4 Eggs
1 Tablespoon of Vanilla Extract	1 1/4 Cups of Milk
Frosting	
1 Stick Unsalted Butter	1 Tablespoon Vanilla Extract
2 Cups Powdered Sugar	1/4 Cup Milk

Because your pantry is empty, you went to the store to pick up the ingredients:

Ingredients Purchased	Quantity	Cost of Item
Unsalted Butter	4 Sticks	\$6.00
All Purpose Flour	16 Cups	\$2.50
Baking Powder	16 Tablespoons	\$2.70
Salt	120 Teaspoons	\$0.90
Sugar	9 Cups	\$2.60
Eggs	1 Dozen	\$1.40
Vanilla Extract	4 Tablespoons	\$10.00
Milk	8 Cups	\$1.50
Powdered Sugar	7 Cups	\$2.20
Total	-	\$27.60

In order to create a finished cake, you'll need to do the following:

1.	Mix the cake ingredients to make the batter.
2.	Bake the cake.
3.	Mix the frosting ingredients to make the frosting.
4.	Frost the finished cake.

Scenario Questions

With this scenario in mind, think about how this would be set up in Foundation. Assume that you're restricted to the base modules when answering these questions.

1. What cost codes would you create? _____

2. When recording expense related transactions, what cost classes would you use?

3. If you decided to budget this job, what would it look like? _____

4. What is the total cost to make this cake? How would you determine this? _____

5. If you were looking to make a profit, how much would you charge your friend for the cake? How would you determine this amount? _____

Let’s expand the scenario to incorporate more job costing concepts. You’ve decided to go into business for yourself and sell cakes full time. You’ll be running your business out of a small rental space.

In addition to the ingredients listed on page 1, you’ll need the following things:

Basic baking tools (bowls, whisks, etc.)	Stand Mixers
Ovens	Cooling racks
Packaging material (to transport cakes)	An employee to assist with baking
A subcontractor to deliver the cakes	A company vehicle to deliver the cakes

Now that you’re taking your business to the next level, you’ll need to add additional steps to your cake making process:

1.	Prepare the work station and ingredients.
2.	Clean up the workstation and tools.
3.	Deliver the cake to customers.

Scenario Questions

Taking into account this new information, answer the following questions. Assume that you’re actively using the additional modules in Foundation.

1. What new cost codes would you be adding? _____
- _____
2. When recording expense related transactions, what cost classes would you use? _____
- _____
3. What additional modules in Foundation would you utilize? _____
- _____
4. How would you use these additional modules to track expenses? _____
- _____
- _____
- _____