



(INX) LEDGER MANIA INSTRUCTIONS – LIFO/FIFO INVENTORY ALTERNATIVES

Ledger Mania is an interactive classroom activity used to demonstrate the accounting cycle of a sole proprietorship or corporation. Students physically record transactions, post them to the general ledger, pay or receive cash, and reconcile cash on hand to the general ledger. With the inventory version, students use multi-color inventory chips to learn inventory valuation using a perpetual inventory system and FIFO or LIFO valuation rules.

Game Objective

For the **inventory with subsidiary ledger only** alternative, the first team to

- Correctly fill out the inventory journal,
- Reconcile the ending balance in the inventory subsidiary ledger to the physical inventory on hand, and
- Reconcile the cost of goods sold in the partial general ledger to the inventory chips in the cost of goods sold cup
- Wins the game!

For the **inventory with merchandising transactions** alternative, the first team to:

- Record all of the transactions in the general journal,
- Post all of the transactions to the general ledger and balance total debits = total credits,
- Reconcile the inventory subsidiary ledger to the inventory chips on hand,
- Reconcile the cost of goods sold in the general ledger to the inventory chips in the cost of goods sold cup,
- Reconcile the physical amount of cash on hand to the general ledger, and
- Prepare a multi-step income statement (optional)
- Wins the game!

Game Setup

Students are broken into teams of 1-3 players, with 2-4 teams assigned to each board. One student per board is chosen as the banker. At the beginning of the game (inventory with merchandising transactions alternative only) the banker will give \$1,500 cash to each team consisting of:

1 x \$500 bill, 6 x \$100 bills, 4 x \$50 bills, 5 x \$20 bills, 7 x \$10 bills, and 6 x \$5 bills

The instructor will inform the students whether they are using the FIFO or LIFO inventory assumption. The banker will distribute 10 chips to each team, consisting of 5 green chips and 5 red chips. Each chip represents 10 units of inventory and each unit has a cost as follows

Color	Each Chip	Purchase Price
Green	10 units	\$10 / unit
Red	10 units	\$12 / unit
Yellow	10 units	\$13 / unit
Blue	10 units	\$14 / unit
Orange	10 units	\$15 / unit
Purple	10 units	\$17 / unit



Each team will choose a token. The instructor will inform the students which forms from the student packet are necessary for the version of the game being played. Each team will use a cup, called the cost of goods sold cup, to hold the chips allocated to cost of goods sold.

Game Play

Inventory with Subsidiary Ledger Only Alternative

For each board, the team with the highest roll of the die goes first. Play passes to the team on the left. Each team will roll the die in order and advance their token to the appropriate square determined by the roll. Each square landed upon will be coded with either an O, I or F and a number. O is for Operating, I is for Investing, and F is for Financing. The combination of letter and number tells the team which transaction they need to record, using the included transaction listing for the Inventory with Subsidiary Ledger Only (form TIS).

Each team will use the General Journal (form GJ), the Partial General Ledger (form PGL) and the Inventory Subsidiary Ledger (forms ISL1 and ISL2) to record transactions. This alternative does not use cash.

As each team lands on a square, the team will

1. Record the letter and number of the transaction and journalize the transaction in the General Journal
2. Post the transaction to the Partial General Ledger
3. Post the transaction to the Inventory Subsidiary Ledger

If the transaction calls for a purchase of inventory, the team will receive the representative inventory chips from the banker and hold them in the Inventory Storage area on the game board.

If the transaction calls for a sale of inventory, the team will cost the sale using either LIFO or FIFO as directed by the instructor. The team will transfer the representative inventory chips sold from the Inventory Storage Area on the game board to the cup representing cost of goods sold.

Ending the game. Each team will move the same number of times as directed by the instructor. After the last move has been made, students will prepare all forms necessary. The first team to:

1. Reconcile the inventory chips in the Inventory Storage Area on the game board to the Inventory T-account in the Partial General Ledger, and
2. Reconcile the inventory chips in the cost of goods sold cup to the Cost of Goods Sold T-Account in the Partial General Ledger, and
3. Reconcile the Inventory Subsidiary Ledger to the inventory chips in the Inventory Storage Area and the inventory chips in the cost of goods sold cup.

Inventory with Merchandising Transactions Alternative

For each board, the team with the highest roll of the die goes first. Play passes to the team on the left. Each team will roll the die in order and advance their token to the appropriate square determined by the roll. Each square landed upon will be coded with either an O, I or F and a number. O is for Operating, I is for Investing, and F is for Financing. The combination of letter and number tells the team which transaction they need to record, using the included transaction sheet for the inventory with merchandising transactions alternative (form TIM).



Each team will use the General Journal (form GJ), The General Ledger (forms GL1, GL2 and GL3), the Inventory Subsidiary Ledger (forms ISL1 and ISL2), the Trial Balance (form TB), and the Multi-Step Income Statement (optional, form MSIS).

As each team lands on a square, the team will:

1. Record the letter and number of the transaction and journalize the transaction in the General Journal
2. Pay cash to the bank or receive cash from the bank, if the transaction calls for either a cash payment or cash receipt
3. Record the accounts and amounts to debit and credit in the General Journal
4. Post the transaction to the appropriate accounts in the General Ledger
General Ledger accounts may be needed as a result of certain transactions which are not included on the beginning Trial Balance. Teams may need to add accounts to the correct category in the General Ledger as the result of such transactions
5. If needed, post the transaction to the inventory subsidiary ledger

If the transaction calls for a purchase of inventory, the team will receive the representative inventory chips from the banker and hold them in the Inventory Storage area on the game board.

If the transaction calls for a sale of inventory, the team will cost the sale using either LIFO or FIFO as directed by the instructor. The team will transfer the representative inventory chips sold from the Inventory Storage Area on the game board to the cup representing cost of goods sold.

Ending the Game. Each team will move the same number of times as directed by the instructor. After the last move has been made, students will prepare all forms necessary. The first team to:

1. Produce a balanced trial balance,
2. Reconcile the physical cash on hand to the general ledger,
3. Reconcile the inventory subsidiary ledger to the physical inventory chips on hand in the Inventory Storage Area and the inventory T-account in the General Ledger,
4. Reconcile the inventory subsidiary ledger to the cost of goods sold cup and the cost of goods sold T-account in the General Ledger, and
5. Optional: prepare the multi-step income statement
6. Wins the game!



The following forms are found in the student packet. The form IDs used in the chart are noted on the top of the forms included in the instruction packet.

Alternative	Inventory and Subsidiary Ledger Only Alternative	Inventory with Merchandising Transactions Alternative
Forms Needed		
Instructions	INX	INX
Beginning Trial Balance	BTBI	BTBI
Transaction List	TIS	TIM
General Journal	GJ	GJ
General Ledger	PGL	GL1, GL2, GL3
Inventory Subsidiary Ledger	ISL1, ISL2	ISL1, ISL2
Trial Balance		TB
Multi Step Income Statement (optional)		MSIS

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(BTBI) Beginning Trial Balance for LIFO/FIFO Inventory Version

RS Company			
Trial Balance as of December 1			
G/L Account Number		DR	CR
1100	Cash	1,500	
1200	Marketable Securities	77,500	
1300	Accounts Receivable	10,000	
1400	Inventory	1,100	
1500	Supplies	3,000	
1800	Equipment (net)	11,500	
2100	Accounts Payable		7,000
2700	Notes Payable		9,500
3000	R. Stone, Capital		85,000
3600	R. Stone, Drawing	8,000	
4000	Sales		44,000
4500	Interest Income		2,000
4600	Dividend Income		2,700
5000	Cost of Goods Sold	12,400	
6100	General Expense	11,500	
6850	Selling Expense	11,000	
6900	Interest Expense	2,700	
	Total Debits/Credits	150,200	150,200



(TIS)Transactions for Inventory and Subsidiary Ledger Only Alternative

- O-1 Purchased 30 units (yellow) on account at \$13 each
- O-2 Sold 20 units for \$25 each on account
- O-3 Purchased 10 units (yellow) on account at \$13 each
- O-4 Sold 30 units for \$25 each on account
- O-5 Purchased 20 units (yellow) on account at \$13 each
- O-6 Sold 10 units for \$25 each on account
- O-7 Purchased 10 units (blue) on account at \$14 each
- O-8 Sold 30 units for \$25 each on account
- O-9 Purchased 20 units (blue) on account at \$14 each
- O-10 Sold 10 units for \$25 each on account
- O-11 Purchased 30 units (blue) on account at \$14 each
- O-12 Sold 30 units for \$25 each on account
- O-13 Purchased 10 units (orange) on account at \$15 each
- O-14 Sold 20 units for \$25 each on account
- O-15 Purchased 30 units (orange) on account at \$15 each
- O-16 Sold 30 units for \$25 each on account
- O-17 Purchased 20 units (orange) on account at \$15 each
- O-18 Sold 10 units for \$25 each on account
- O-19 Purchased 20 units (purple) on account at \$17 each
- O-20 Sold 30 units for \$25 each on account
- O-21 Purchased 30 units (purple) on account at \$17 each
- O-22 Sold 10 units for \$25 each on account
- O-23 Purchased 10 units (purple) on account at \$17 each
- O-24 Sold 20 units for \$25 each on account

- I-1 10 of the oldest units were damaged and cannot be sold
- I-2 A physical inventory found that 10 of the oldest units are missing and unaccounted for
- I-3 10 of the newest units were damaged and cannot be sold
- I-4 A physical inventory found that 10 of the newest units are missing and unaccounted for

- F-1 Returned 10 of the oldest units to the vendor on account
- F-2 Returned 10 of the newest units to the vendor on account
- F-3 Returned 20 of the oldest units to the vendor on account



(TIM) Transactions for Inventory with Merchandising Transactions Alternative

- O-1 Purchased 30 units (yellow) on account at \$13 each
- O-2 Sold 20 units for \$25 each on account
- O-3 Paid general expenses \$250
- O-4 Sold 30 units for \$25 each for cash
- O-5 Purchased 20 units (yellow) at \$13 each for cash
- O-6 Paid interest expense \$125
- O-7 Purchased 10 units (blue) on account at \$14 each
- O-8 Sold 30 units for \$25 each for cash
- O-9 Incurred selling expenses \$300 to be paid next month
- O-10 Sold 10 units for \$25 each for cash
- O-11 Purchased 30 units (blue) on account at \$14 each
- O-12 Received dividend income \$225 cash
- O-13 Purchased 10 units (orange) at \$15 each for cash
- O-14 Sold 20 units for \$25 each on account
- O-15 Paid selling expenses \$175
- O-16 Sold 30 units for \$25 each on account
- O-17 Purchased 20 units (orange) at \$15 each for cash
- O-18 Received interest income \$80
- O-19 Purchased 20 units (purple) at \$17 each for cash
- O-20 Sold 30 units for \$25 each for cash
- O-21 Incurred general expenses of \$300 to be paid next month
- O-22 Sold 10 units for \$25 each on account
- O-23 Purchased 10 units (purple) on account at \$17 each
- O-24 Incurred interest expense of \$80 to be paid next month

- I-1 10 of the oldest units were damaged and cannot be sold
- I-2 A physical inventory found that 10 of the oldest units are missing and unaccounted for
- I-3 10 of the newest units were damaged and cannot be sold
- I-4 A physical inventory found that 10 of the newest units are missing and unaccounted for

- F-1 Returned 10 of the newest units to the vendor on account
- F-2 Returned 10 of the newest units to the vendor on account
- F-3 Returned 20 of the oldest units to the vendor on account



**(PGL) Partial
General Ledger**

	1300 Accounts Receivable	2100 Accounts Payable	4000 Sales	
	10,000	7,000	44,000	
1400 Inventory				
1,100				
	5000 Cost of Goods Sold			
	12,400			



**(GL1)
General Ledger
Assets**

1100 Cash
1,500

1200 Marketable Securities	1300 Accounts Receivable	1400 Inventory	1500 Supplies
77,500	10,000	1,100	3,000

1800 Equipment (net)			
11,500			

Liabilities

2100 Accounts Payable
7,000

2700 Notes Payable			
9,500			



(GL2) General Ledger page 2

Equity Accounts

3000 R. Stone, Capital	3600 R. Stone, Drawing		
85,000	5,000		

Revenues

4000 Sales	4500 Interest Income	4600 Dividend Income	
44,000	2,000	2,700	



(GL3) General Ledger page 3

Expenses

5000 Cost of Goods Sold

12,400

6100 General Expense

11,500

6850 Selling Expense

11,000

6900 Interest Expense

2,700

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(MSIS) Multi-Step Income Statement

Sales		
Cost of Goods Sold		
Gross Profit		
Operating Expenses		
Selling Expense		
General Expense		
Total Operating Expenses		
Operating Income		
Other Income and Expense		
Dividend Income		
Interest Income		
Interest Expense		
Total Other Income and Expense		
Income Before Tax		