

# Accounting Monopoly

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## Accounting Monopoly

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## Course Application:

- Accounting
- Finance: (focus on Financial Statement Creation, Ratio Analysis and Valuation (analyze the financial statements of the players and project future growth based on probability theory)
- Entrepreneurship: (Limited Version – T Accounts Only)
- Personal Money Management and Investing: (with a revised version of the game: properties are stocks etc. This is a separate lesson plan)

## Objective:

Apply Accounting techniques to simulated business transactions by playing the game of Monopoly. Apply knowledge to construction of T Accounts, Recording Transactions, Creating and Posting to Journal and General Ledger, Creating Three Column Trial Balance, Financial Statements and conducting an Audit.

- OPTIONAL: Preparing an Annual Report, Valuing a Business and Analyzing performance through the use of ratios and benchmarks.

## Process Overview:

Have students play the game of Monopoly once per week or every other week over the course of a full year. Students record every transaction that results in an exchange of cash in T Accounts. Student's periodically post transactions to a Journal and General Ledger (at least monthly). Quarterly each student prepares a three column Trial Balance. Midyear and at year-end students prepare a full set of Financial Statements (Income, Balance Sheet, Statement of Changes in Cash and Stockholder's Equity) At year end, students Audit each other's final financial statements render an audit opinion and produce an Annual Report.

## Notes:

- Once students have started this exercise is easy and effective to use as the lesson plan for a substitute.
- Activity can be paperless and integrated with technology by using MS Excel, Word and Publisher.
- Use of ratios and financial analysis integrates with Math.

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## Materials:

- A Monopoly Game with enough pieces for all players - teams no larger than 4 players per game board.
- One envelope for each student playing. Each player will store his/her money and Monopoly cards in this envelope and leave it in the room each day.
- One folder for each student playing.
  - Scrap paper for jotting down transactions
  - Journal pages
  - Forms for proving cash
  - General ledger pages
  - Forms for Income statement, Balance Sheet, Statement of Changes and Trial Balance
  - Logon and game instructions
  - Chart of accounts

(All of these forms should be available in the students workbook, online teacher material or teachers text)

## How to Play:

- Each group selects a banker.
- The banker issues \$1500 in cash to each player. Each player should count his money to make sure he receives the correct amount.
- Each player should record this in a T account. (You have only one asset (cash), no liabilities, and capital is \$1500.
- Show example transactions to the class (see appendix at end).
- Set up your journal. All students in a group should have the same column headings. Suggested headings: Cash Debit, Cash Credit, Date, Account Title, Post Ref, General Debit, General Credit, Property Debit, Property Credit, Rent Expense, Rent Income, Other Income teacher may wish to give students journal pages with preprinted headings).
- Record the opening entry in your journal.
- Open accounts in the general ledger for the accounts listed in the chart of accounts (see appendix at end).

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- Students must make one full spin around the board before they may purchase property.
- Post the opening entry
- Start the game. Be sure to follow the rules of the game. Each group should set their own rules on building houses, selling property, etc. and have the banker document, *in writing* any game specific rules. Each roll of the dice may result in either no journal entry, one player making an entry, or in two players making an entry. There are usually business transactions to record after each throw of the dice. Do not roll until all parties have completed recording their transactions.
- Any time money changes hand, students must record the transaction on their worksheets in T accounts. (Have students put a short description next to each entry).
- When journalizing--If you are using two special columns, it may be wise to make a notation about the entry under the account title column. Example: When using Property Debit and Cash Credit--you may want to put the name of the property you purchased in the account title column. When you pay taxes, you may want to tell what kind of taxes you are paying, etc. Give details about any journal entry that you feel will benefit you later when preparing financial statements.
- Allow time each day at the beginning or end of class for students to make journal entries and prove cash. This should be done EVERY day.
- If students are over or short on cash each day, they must record this in their transaction log as "Cash Short and Over".
- At the end of each day, cash is proved to see if the books coincide with the actual cash count. If it does not, make an entry in the journal through the cash short and over account.
  - Each student should record on a sheet the location of their piece on the board, the number of houses or hotels owned on each piece of property, list of property owned, and a list of property that may be mortgaged. (Teachers may wish to create a form for this.)
  - Place the papers used in your envelope and folder. Return the game pieces to the box.

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- Periodically, (every two months) you will close your books to see how well you have done (profit or loss). You need to:
  - Foot the journal
  - Prove cash
  - Prove the equality of debits and credits
  - Total and rule the journal
  - Post to the general ledger
  - Prepare a three column trial balance
  - Prepare an income statement, balance sheet, statement of changes in cash and stockholder's equity
  - Record and post closing entries
  - Prepare a post-closing trial balance
  - Prepare an annual report

## Special Situations:

- Bankrupt: Student becomes bankrupt too early in the game.
  - Have student save their work to prepare statements later in the game process and curriculum.
  - Have the student assume the role of the banker in an official capacity and record all transactions from the banker's perspective.
  - Change rules to require a 10% fee on any transaction in which the bank is a party either dispensing or receiving cash and a 5% transaction fee for any transaction between or among parties in the game. This is the banker's source of revenue.
  - The banker should record all "Passing Go" expenditures as a capital asset depreciated at 5% per week of play. The banker student will prepare all entries, books and statements for the bank.

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**Example:** T Accounts

	Cash	Property	Rental Income	Stockholder Equity
Cash	1500			1500
Buy Park Place	400	400		

**Example:** Journal Entries Transactions

Transaction	Account Type	Description	Debit	Credit
Purchased house for property on Park Place, \$125.	Asset	Houses	125	
	Asset	Cash		125
Purchased Park Place property, \$400.	Asset	Property	400	
	Asset	Cash		400
Rec'd cash for rent from Indiana Avenue, \$50.	Asset	Cash	50	
	Revenue	Rent Income		50
Paid for rent (R&R Railroad), \$100.	Expense	Rent Expense	100	
	Asset	Cash		100
Received cash for passing go, \$200.	Asset	Cash	200	
	Revenue	Other Income		200
Received loan from the bank, \$1000.	Asset	Cash	1000	
	Liability	Monopoly Bank		1000
Paid \$150 for income tax.	Expense	Tax Expense	150	
	Asset	Cash		150

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## Chart of Accounts

Assets	Acct #	Revenue	Acct #
Cash	110	Rent Income	410
Property	120	Other Income	420
Houses	130	Expenses	
Hotels	140	Interest Expense	510
Monopoly Bank	210	Other Expense	520
____(Students Name or Fictitious Company Name)____, Capital	310	Rent Expense	530
Income Summary	540	Tax Expense	410
		Utility Expense	550
		Cash Short and Over	560