

# ADVANCED ACCOUNTING (02)

## Regional—2007

Multiple Choice (15 @ 3 points each)	_____ (45 pts.)
Short Answer (10 @ 5 points each)	_____ (50 pts.)
Accounting Terms (10 @ 2 points each)	_____ (20 pts.)
Problem One (4 @ 5 points each)	_____ (20 pts.)
Problem Two (4 @ 5 points each)	_____ (20 pts.)
Problem Three	_____ (12 pts.)
<b>TOTAL POINTS</b>	<b>_____ (167 pts.)</b>

**Failure to adhere to any of the following rules will result in disqualification:**

- 1. Contestant must hand in this test booklet and all printouts. Failure to do so will result in disqualification.**
- 2. No equipment, supplies, or materials other than those specified for this event are allowed in the testing area. No previous BPA tests and/or sample tests or facsimile (handwritten, photocopied, or keyed) are allowed in the testing area.**
- 3. Electronic devices will be monitored according to ACT standards.**

No more than ten (10) minutes orientation  
 No more than 90 minutes testing time  
 No more than ten (10) minutes wrap-up

Do **NOT** open test booklet until instructed to do so.

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## **GENERAL INSTRUCTIONS**

You have been hired to keep accounting records for Professional Business Associates located at 5454 Cleveland Avenue, Columbus, OH 43231. This information is to be used for all jobs when needed.

You will have 90 minutes to complete your work. The objective questions and the definitions should be completed first, and then the accounting problems may be completed in any order. The production portion of the test will be graded based on your completed work. In the event of a tie, the amount of time spent working on the test will be considered and the completeness of your work will be reviewed.

Your name and/or school name should **NOT** appear on any work you submit for grading. Write your contestant number in the upper right-hand corner of each page. Staple all pages in order before you turn in your test!

Round each problem to two decimal places, each step of the problem, unless instructed otherwise.

Interest is calculated using 365 days.

Good Luck!

**Multiple Choice:** Choose the **best** answer for each of the following questions and record them on the Scantron form provided.

1. All plant assets are depreciable except for \_\_\_\_\_.
  - A. Factories
  - B. Land
  - C. Equipment
  - D. Computers
  
2. What effect would the actual writing off of an uncollectible account have on Accounts Receivable under the following two methods?

	<u>Direct Write-Off</u>	<u>Allowance</u>
A.	Decrease	Decrease
B.	Increase	Decrease
C.	Decrease	Increase
D.	Increase	Increase
  
3. Cap Corp. reported accrued interest receivable of \$38,000 and \$46,500 at January 1 and December 31, 2006 respectively. During 2006, cash collections from the investments included interest of \$152,000. What amount should Cap report as interest revenue from investments for 2006?
  - A. \$160,500
  - B. \$153,500
  - C. \$152,000
  - D. \$198,500
  
4. If a corporation issues only one class of stock, it is referred to as \_\_\_\_\_.
  - A. preferred stock
  - B. common stock
  - C. Treasury stock
  - D. No-par stock
  
5. The adjusting entry for uncollectible accounts utilizing the allowance method requires \_\_\_\_\_.

	<u>Debit</u>	<u>Credit</u>
A.	Allowance for Doubtful Accounts	Accounts Receivable
B.	Uncollectible Accounts Expense	Allowance for Doubtful Accounts
C.	Uncollectible Accounts Expense	Accounts Receivable
D.	Accounts receivable	Uncollectible Accounts Expense
  
6. Robert's bank reconciliation statement shows a book balance of \$11,590, a NSF check of \$270, and a service charge of \$32. Its adjusted book balance is \_\_\_\_\_.
  - A. \$11,320
  - B. \$11,558
  - C. \$11,288
  - D. \$11,860

7. In preparing its October 31, 2006 bank reconciliation, Anne's Tennis Company has available the following information:

Balance per bank statement	\$16,050
Deposit in transit	3,790
Return of Customer's NSF Check	290
Outstanding checks	2,540
Bank service charge—October	100

On October 31, 2006, Anne's adjusted bank balance is \_\_\_\_\_.

- A. \$17,300  
B. \$17,200  
C. \$16,910  
D. \$17,010
8. The objective of a petty cash systems is to \_\_\_\_\_.
- A. facilitate office payment of small, miscellaneous items  
B. cash checks for employees  
C. account for cash sales  
D. account for all cash receipts and disbursement
9. Barry Brothers' Sales were \$375,850, Sales Discounts were \$12,000 and Sales Returns and Allowances were \$14,380. If Barry Brothers' use a 4 ½ percentage of net sales to calculate their adjustment for uncollectible accounts expense, what amount would Barry Brothers claim for the year?
- A. \$16,913.25  
B. \$2,890.35  
C. \$27,726.15  
D. \$15,726.15
10. Bonds with interest payable to the bearer or holder of the coupon are called \_\_\_\_\_.
- A. interest bonds  
B. holder bonds  
C. coupon bonds  
D. bearer bonds
11. An accountant who records revenue when a credit sale is made rather than waiting for the receipt of cash from the customer is \_\_\_\_\_.
- A. applying the accrual method of accounting  
B. applying the cash basis of accounting  
C. following the conservatism doctrine  
D. violating generally accepted accounting principles

12. The beginning merchandise inventory plus the net delivered cost of purchases minus the ending merchandise inventory equals the \_\_\_\_\_.
- A. total merchandise available for sale
  - B. cost of goods sold
  - C. gross profit on sales
  - D. net income
13. The total of the balances in the creditor's accounts should agree with the balance of \_\_\_\_\_.
- A. purchase account in general ledger
  - B. accounts Receivable account in general ledger
  - C. accounts Payable account in general ledger
  - D. should not agree with any general ledger accounts
14. Long lived assets that have no physical value are called \_\_\_\_\_.
- A. tangible assets
  - B. intangible assets
  - C. non-physical assets
  - D. known assets
15. On December 1, Bijoux accepted a \$475, 8%, 90 day note receivable from a charge customer. The note will not mature until March 1, but interest income has accrued. How much interest will be reported on December 31?
- A. \$0
  - B. \$3.17
  - C. \$3.15
  - D. \$3.12

**Short Answer**

Use the back of the page if more space is needed.

16. If the principal is \$1,500 and the interest rate is 17.56%, what is the maturity value for the note due in 30 days?
17. If the principal is \$47,800 and the interest rate is 22.75%, what is the maturity value for a note due in 3 months?
18. On July 15, Mallard Decoys accepted an 11%, 60-day note for \$3,250 from long time customer Lisa Smith. On July 30, Mallard Decoys discounted the note at 11.7% to obtain cash. What is the bank discount?

19. The beginning capital balance shown on a statement of owner's equity is \$38,000. Net income for the period is \$18,000. The owner withdrew \$23,000 cash from the business and made no additional investments during the period. What is the balance of the owner's capital account?
  
20. The payroll register for Gino's Pizza, Inc. showed total employee earnings of \$28,742 for the week ended March 2, 2007. All earnings were taxable at the following rates: Social Security 6.2%, Medicare 1.45%, FUTA .8%, SUTA 5.4%, FIT was \$3,821. What is the total amount of the employee's net pay?
  
21. What is the total of the employer's tax expense?
  
22. What is the current ratio given that current assets are \$729,834 and current liabilities are \$221,442?
  
23. What is the merchandise inventory turnover given the merchandise inventory on January 1 is \$541,329; merchandise inventory on December 31 is \$221,834 and the cost of goods sold is \$698,145?
  
24. What is the inventory turnover rate?
  
25. Using the percentage of net sales method, calculate the allowance of uncollectible accounts at .18%. Sales are \$722,341; sales discounts are \$10,329 and sales returns and allowances \$14,152.

**Accounting Terms: Match the following definitions with the correct accounting terms.**

- \_\_\_\_\_ 1. Ownership claims of a corporation
- \_\_\_\_\_ 2. A system to control purchases and cash payments where approval is required for each expenditure.
- \_\_\_\_\_ 3. Price at which a share of stock may be sold on the stock market.
- \_\_\_\_\_ 4. Principal plus interest on a note that must be repaid on the due date.
- \_\_\_\_\_ 5. Continuous record of inventory increases, decreases, and balances on hand.
- \_\_\_\_\_ 6. Systematic procedure for allocating the cost of plant assets to the accounting periods in which the business benefits from the asset.
- \_\_\_\_\_ 7. Expense incurred in one fiscal period but not paid until a later fiscal period.
- \_\_\_\_\_ 8. Underlying principle comparing current revenues and expenses..
- \_\_\_\_\_ 9. Stock that has been issued and reacquired.
- \_\_\_\_\_ 10. Earnings distributed to stockholders.

- A. accrual
- B. appreciation
- C. authorized stock
- D. deferral
- E. depreciation
- F. dividend
- G. issued stock
- H. market value
- I. matching
- J. maturity value
- K. mortgage
- L. outstanding stock
- M. periodic inventory system
- N. perpetual inventory
- O. stockholder's equity
- P. treasury stock
- Q. voucher

**Problem One**

SolarPlus' beginning inventory on May 1 was 135 calculators purchased at \$2.18 each. Purchases and sales for the month were as follows:

May 5	Sold 32 units
May 16	Purchases 101 units @ \$2.07
May 18	Sold 93 units
May 21	Purchased 74 units @ \$2.04
May 26	Sold 84 units

Of the 101 remaining calculators, 48 were purchased on May 16 and the rest were purchased on May 21. Calculate the cost of the ending inventory using LIFO, FIFO, Weighted Average, and Specific Identification.

LIFO \_\_\_\_\_ FIFO \_\_\_\_\_

Weighted Average \_\_\_\_\_ Specific Identification \_\_\_\_\_

**Problem Two**

Janet's Dog Spa Grooming purchased a spa station for \$5,600. The station has an estimated disposal value of \$700 and a useful life of five years. The station has a useful life of 19,000 hours and was used 4,875 hours the first year. Find the depreciation expense for the first year using the following methods:

Straight-line \_\_\_\_\_ Double Declining-balance \_\_\_\_\_

Sum-of-the-years'-digits \_\_\_\_\_ Units-of-production \_\_\_\_\_







# ADVANCED ACCOUNTING (02)

## *KEY*

Regional—2007

TOTAL POINTS \_\_\_\_\_ (167 pts.)

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*Graders:*

Please double-check and verify all scores!

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**Multiple Choice 3 points each**

- |    |   |     |   |
|----|---|-----|---|
| 1. | B | 8.  | A |
| 2. | A | 9.  | D |
| 3. | D | 10. | D |
| 4. | B | 11. | A |
| 5. | B | 12. | B |
| 6. | C | 13. | C |
| 7. | A | 14. | B |
|    |   | 15. | D |

**Short Answer 5 points each**

16. \$1,521.65
17. \$50,518.63
18. \$47.73
19. \$33,000
20. \$22,722.24
21. \$3,980.77
22. 3.30:1
23. 1.83
24. 199 days
25. \$1,256.15

**Accounting Terms 2 points each**

1. O
2. Q
3. H
4. J
5. N
6. E
7. A
8. I
9. P
10. F



**Problem One 20 points 4 @ 5 points each**

LIFO            \_\_\_\$220.18\_\_\_                      FIFO                      \_\_\_\$206.85\_\_\_  
 Weighted Average    \_\_\$213.11\_\_\_                      Specific Identification    \_\_\_\$207.48\_\_\_

**Problem Two 20 points 4 @ 5 points each**

Straight-line                      \_\_\_\$980\_\_\_    Declining-balance                      \_\_\_\$2,240\_\_\_  
 Sum-of-the-years'-digits    \_\_\$1,633.33\_\_\_    Units-of-production                      \_\_\_\$1,257.24\_\_\_

**Problem Three 12 points 1 point each entry**

DATE	DESCRIPTION OF ENTRY	POST. REF.	DEBIT	CREDIT
<i>Dec 13</i>	<i>Dividends or Retained Earnings</i>		<i>5,444.25</i>	
	<i>Dividends Payable</i>			<i>5,444.25</i>
<i>Dec 14</i>	<i>Dividends or Retained Earnings</i>		<i>6,264.72</i>	
	<i>Common Stock Div Distributable or Common Stock</i>			<i>5,966.40</i>
	<i>Pd. In Capital in Excess - Common</i>			<i>298.32</i>