

# ADVANCED ACCOUNTING (02)

## REGIONAL—2006

Objective Questions ( <i>30 @ 2 points each</i> )	_____	(60 points)
Job 1—Income Statement	_____	(40 points)
Job 2—Statement of Retained Earnings	_____	(10 points)
Job 3—Balance Sheet	_____	(40 points)

**TOTAL POINTS** \_\_\_\_\_ **(150)**

***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 test time

No more than ten (10) minutes wrap-up

NOTE: The administrator should allow time for orientation, instructions, warm-up, checking equipment, etc. before starting test time.

Do NOT open test booklet until instructed to do so.

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*Workplace Skills Assessment Program* regional competition.

### **General Instructions**

You have been hired as a Financial Assistant and will be keeping the accounting records for Professional Business Associates, located at 5454 Cleveland Avenue, Columbus, Ohio 43231. Professional Business Associates provides accounting and other financial services for clients. You will complete jobs for Professional Business Associates' own accounting records, as well as for clients.

You will have 90 minutes to complete your work. The test is divided into two parts. The multiple choice and account identification portions should be completed first, and then the accounting problems may be completed in any order.

**Note: Interest is calculated using 360 days.**

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

**Good luck!**

**Objective:**

Choose the **best** answer for each of the following questions and record them on the scantron form provided.

1. The annual depreciation expense for a file cabinet is \$90. The business sells the file cabinet on June 2<sup>nd</sup>. What is the transaction to record the additional depreciation for the year?
  - A. Debit Depreciation Expense—Office Equipment 37.50, credit Office Equipment 37.50
  - B. Debit Depreciation Expense—Office Equipment 90, credit Office Equipment 90
  - C. Debit Depreciation Expense—Office Equipment 37.50, credit Accumulated Depreciation—Office Equipment 37.50
  - D. Debit Depreciation Expense—Office Equipment 90, credit Accumulated Depreciation—Office Equipment 90
  
2. The entry to record the paying of a voucher payable in the cash register would be \_\_\_\_\_.
  - A. Debit to Cash, credit to Vouchers Payable
  - B. Debit to Vouchers Payable, credit to Cash
  - C. Debit to Purchases, and credit to Cash
  - D. None of the above
  
3. If ending inventory is overstated, \_\_\_\_\_.
  - A. Cost of Merchandise Sold is overstated
  - B. Gross Profit is overstated
  - C. Net Income is understated
  - D. Total Assets is understated
  
4. The buyer pays the transportation charges under \_\_\_\_\_.
  - A. Freight Included
  - B. FOB Destination
  - C. FOB Shipping Point
  - D. None of the above
  
5. During a period of rising prices LIFO \_\_\_\_\_.
  - A. Shows higher ending inventory
  - B. Shows higher cost of merchandise sold
  - C. Shows lower cost of merchandise sold
  - D. None of the above

6. Current assets include \_\_\_\_\_.
- A. Cash, Petty Cash, Merchandise Inventory, Prepaid Interest
  - B. Cash, Accounts Receivable, Office Equipment, Prepaid Insurance
  - C. Cash, Notes Receivable, Office Equipment, Store Equipment
  - D. All of the above
7. John Wilson paid a previously written off account. If the company uses the direct write-off method, what is the needed transaction(s)?
- A. Debit Accounts Receivable—John Wilson, credit Collection of Uncollectible Accounts; debit Cash, credit Accounts Receivable—John Wilson
  - B. Debit Accounts Receivable—John Wilson, credit Uncollectible Accounts Expense, debit Cash, credit Accounts Receivable—John Wilson
  - C. Debit Accounts Receivable—John Wilson, credit Collection of Uncollectible Accounts;
  - D. None of the above
8. The entry to write off an account using the allowance method is \_\_\_\_\_.
- A. Debit Allowance for Uncollectible Accounts, credit Accounts Payable
  - B. Debit Allowance for Uncollectible Accounts; credit Accounts Receivable
  - C. Debit Uncollectible Accounts Expense, credit Accounts Payable
  - D. Debit Uncollectible Accounts Expense; credit Accounts Receivable
9. The original cost of a plant asset minus any depreciation is \_\_\_\_\_.
- A. Salvage Value
  - B. Annual Depreciation
  - C. Book Value
  - D. None of the above

**Use the following information to answer questions 10-13.**

Playhouse, Inc. has redecorated their offices and discarded the conference table that they purchased for \$350. They have recorded depreciation at \$50 for five of the seven years they had planned to use it. Playhouse uses the straight-line method of depreciation.

10. If Playhouse uses the straight-line depreciation method, what was their original salvage value?
- A. \$0
  - B. \$50
  - C. \$350
  - D. None of the above
11. What is the total amount of depreciation for the five years using the straight-line method of depreciation?
- A. \$50
  - B. \$250
  - C. \$350
  - D. \$700
12. If Playhouse would have used the declining-balance method instead of the straight-line method of depreciation for the five years
- A. There would be no loss to realize, they would break even
  - B. There would be a greater loss to realize
  - C. There would be a smaller loss to realize
  - D. There would be a gain to realize
13. If Playhouse would have used the sum-of-the-years-digits method instead of the straight-line method of depreciation,
- A. There would be no loss to realize, they would break even
  - B. There would be a greater loss to realize
  - C. There would be a smaller loss to realize
  - D. There would be a gain to realize

14. Ober Mining Company has purchased land that has a coal mine in it. They paid \$150,000 for the land and assume they can sell the land for \$15,000 after they remove the estimated 75,000 tons of coal. What is the depletion rate per ton of coal?
- A. \$1.80
  - B. \$2.00
  - C. \$2.20
  - D. None of the above
15. If there are 5,575 gallons of crude oil removed at a depletion rate of \$2.455, the annual depletion expense is \_\_\_\_\_.
- A. \$1,177.38
  - B. \$2,270.86
  - C. \$13,686.63
  - D. None of the above
16. What is the maturity date of a 180 day note payable issued May 5<sup>th</sup>?
- A. November 1
  - B. October 29
  - C. November 2
  - D. None of the above
17. The entry to pay a \$1,500, 8%, 180 day note \_\_\_\_\_.
- A. Debit Notes Payable 1,500, credit Interest Expense 60, credit Cash 1,560
  - B. Debit Notes Payable 1,560, credit Interest Expense 60, credit Cash 1,560
  - C. Debit Notes Payable 1,500, debit Interest Expense 60, credit Cash 1,560
  - D. Debit Notes Payable 1,440, debit Interest Expense 60, credit Cash 1,500
18. Sam Stone dishonored his 60-day, 15%, \$1,000 note issued June 15<sup>th</sup>. What is the entry to record the dishonored note for the issuing company on September 15<sup>th</sup>?
- A. Debit Accounts Payable—Sam Stone 1,025, credit Notes Receivable 1,000, credit Interest Income 25
  - B. Debit Cash 1,025, credit Account Receivable 1,000, credit Interest Income 25
  - C. Debit Accounts Receivable—Sam Stone 975, credit Notes Receivable 1,000, credit Interest Income 25
  - D. Debit Accounts Receivable—Sam Stone 1,025, credit Notes Receivable 1,000, credit Interest Income 25

19. Based on the following information, what is the total intangible assets for this business?

Building	78,500
Gain on Plant Assets	1,250
Goodwill	45,000
Patents	16,575

- A. \$141,325
  - B. \$140,075
  - C. \$61,575
  - D. \$45,000
20. The adjusting entries for accrued salaries are \_\_\_\_\_.
- A. Debit Sales Expense, credit Salaries Payable
  - B. Debit Salaries Payable, credit Sales Expense
  - C. Debit Salaries Expense, credit Salaries Payable
  - D. Debit Salaries Payable, credit Salaries Expense
21. The entry to record issuing 1,575 shares of preferred 7.5% stock at par and 15,750 shares of common stock at par is
- A. Debit Stock Subscribed, credit Preferred Stock, credit Common Stock
  - B. Debit Cash, debit Stock Subscribed, credit Preferred Stock, credit Common Stock
  - C. Debit Cash, credit Preferred Stock, credit Common Stock
  - D. Debit Cash, credit Stock Subscribed
22. The entry to record the sale of 1,200 shares of \$35 par value stock at \$42 per share is
- A. Debit Cash 42,000, credit Common Stock 42,000
  - B. Debit Cash 50,400, credit Common Stock 50,400
  - C. Debit Cash 42,000, debit Paid-in Capital in Excess of Par—Common 8,400, credit Common Stock, 50,400
  - D. Debit Cash 50,400, credit Common Stock 42,000, credit Paid-in Capital in Excess of Par—Common 8,400
23. Brooklyn's Motors sold 8,000 shares of treasury stock at \$45 per share. The treasury stock was originally purchased for \$42 per share. The transaction for this entry is
- A. Debit Cash 360,000, debit Paid-in-Capital—Sale of Treasury Stock 24,000, credit Treasury Stock 336,000
  - B. Debit Cash 360,000, credit Paid-in-Capital—Sale of Treasury Stock 24,000, credit Treasury Stock 336,000
  - C. Debit Cash 336,000, debit Paid-in-Capital—Sale of Treasury Stock 24,000, credit Treasury Stock 360,000
  - D. None of the above

24. October 20<sup>th</sup>, Samuel's Sound has declared a semi-annual cash dividend of \$1.25 per share on 3,700 shares of preferred stock outstanding to stockholders as of November 3<sup>rd</sup>, date of payment January 20<sup>th</sup>. The entry for this transaction is \_\_\_\_\_.

- A. Oct. 20, debit Dividends Payable, credit Cash
- B. Jan. 20, debit Dividends—Preferred , credit Cash
- C. Oct. 20, debit Dividends—Preferred, credit Dividends Payable—Preferred
- D. Nov. 3, debit Dividends Payable—Preferred, credit Cash

25. Horizontal analysis \_\_\_\_\_.

- A. is used to compare the same accounts on financial statements for two or more periods
- B. requires that each dollar amount on the financial statement be stated as a percentage of the base amount
- C. no dollar amounts are reported, just percentages
- D. all of the above

26. Vertical analysis \_\_\_\_\_.

- A. is used to compare the same accounts on financial statements for two or more periods
- B. requires that each dollar amount on the financial statement be stated as a percentage of the base amount
- C. no dollar amounts are reported, just percentages
- D. all of the above

27. Mr. Jones recently purchased a company vehicle using funds from his personal checking account. This purchase is a violation of which accounting practice?

- A. Adequate Disclosure
- B. Historical Cost
- C. Unit of Measure
- D. Business Entity

28. What is the adjusting entry for accrued salaries of \$4,500?

- A. Debit Salary Expense 4,500, credit Cash 4,500
- B. Debit Cash 4,500, credit Salary Expense 4,500
- C. Debit Salaries Payable 4,500, credit Cash 4,500
- D. Debit Salary Expense 4,500, credit Salaries Payable 4,500



29. On December 1, We Care Inc. sold janitorial services for \$12,000 cash. Services are to be provided over the next six months starting immediately. What is the adjusting entry needed on December 31?

- A. Debit Cash 12,000, credit Service Revenue 12,000
- B. Debit Unearned Revenue 2,000, credit Service Revenue 2,000
- C. Debit Accounts Receivable 12,000, credit Unearned Revenue 12,000
- D. Debit Unearned Revenue 2,000, credit Accounts Receivable 2,000

30. Perpetual inventory \_\_\_\_\_.

- A. is continuously keeping track of inventory.
- B. is the LIFO method of accounting for inventory.
- C. is the FIFO method of accounting for inventory.
- D. Is calculating the inventory at the end of the period.

**Problem 1**

Use the following information to prepare an Income Statement, a Statement of Retained Earnings, and a Balance Sheet for Mandy's Muffins as of December 31, 2005. Compute the Retained Earnings. Beginning Merchandise Inventory is \$12,587.

Account Title	December 31, 2005
Cash	\$ 46,905
Accounts Receivable	35,000
Allowance for Uncollectible Acct	2,480
Merchandise Inventory	13,861
Supplies	943
Prepaid Insurance	1,200
Store Equipment	3,482
Accumulated Depr - Store Equip	958
Notes Payable	10,000
Accounts Payable	16,000
Income Tax Payable	5,750
Dividends Payable	1,575
Capital Stock - Common \$15 Par	16,500
Retained Earnings	
Dividends	1,650
Sales	47,850
Sales Discounts	254
Sales Returns and Allow	657
Purchases	19,752
Credit Card Fee Expense	957
Insurance Expense	1,200
Miscellaneous Expense	450
Payroll Tax Expense	3,481
Property Tax Expense	2,500
Salary Expense	8,753
Supplies Expense	530
Uncollectible Accounts Expense	525
Utilities Expense	925









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# KEY

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<b><i>TOTAL POINTS</i></b>	_____ ( <b><i>150</i></b> )

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***Graders:***

Double-check and verify all scores!

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**Good luck!**



1. /A♣ /B♣ /C♣ /D♣ /E♣
2. /A♣ /B♣ /C♣ /D♣ /E♣
3. /A♣ /B♣ /C♣ /D♣ /E♣
4. /A♣ /B♣ /C♣ /D♣ /E♣
5. /A♣ /B♣ /C♣ /D♣ /E♣
6. /A♣ /B♣ /C♣ /D♣ /E♣
7. /A♣ /B♣ /C♣ /D♣ /E♣
8. /A♣ /B♣ /C♣ /D♣ /E♣
9. /A♣ /B♣ /C♣ /D♣ /E♣
10. /A♣ /B♣ /C♣ /D♣ /E♣
11. /A♣ /B♣ /C♣ /D♣ /E♣
12. /A♣ /B♣ /C♣ /D♣ /E♣
13. /A♣ /B♣ /C♣ /D♣ /E♣
14. /A♣ /B♣ /C♣ /D♣ /E♣
15. /A♣ /B♣ /C♣ /D♣ /E♣
16. /A♣ /B♣ /C♣ /D♣ /E♣
17. /A♣ /B♣ /C♣ /D♣ /E♣
18. /A♣ /B♣ /C♣ /D♣ /E♣
19. /A♣ /B♣ /C♣ /D♣ /E♣
20. /A♣ /B♣ /C♣ /D♣ /E♣
21. /A♣ /B♣ /C♣ /D♣ /E♣
22. /A♣ /B♣ /C♣ /D♣ /E♣
23. /A♣ /B♣ /C♣ /D♣ /E♣
24. /A♣ /B♣ /C♣ /D♣ /E♣
25. /A♣ /B♣ /C♣ /D♣ /E♣
26. /A♣ /B♣ /C♣ /D♣ /E♣
27. /A♣ /B♣ /C♣ /D♣ /E♣
28. /A♣ /B♣ /C♣ /D♣ /E♣
29. /A♣ /B♣ /C♣ /D♣ /E♣
30. /A♣ /B♣ /C♣ /D♣ /E♣





				Points
Mandy's Muffins				2
Income Statement				2
For the year ended December 31, 2005				2
Revenue:				
Sales		\$ 47,850		1
Less: Sales Discounts	\$ 254			1
Sales Ret & Allow	657	911		1
Net Sales			\$ 46,939	1
Cost of Merch Sold:				
Beginning Merch Inventory	12,587			1
Purchases	19,752			1
Available for Sale		32,339		1
Ending Merch Inventory		13,861		1
Cost of Merch Sold			18,478	2
Gross Profit			28,461	2
Operating Exp:				
Credit Card Fee Expense		957		1
Insurance Expense		1,200		1
Miscellaneous Expense		450		1
Payroll Tax Expense		3,481		1
Property Tax Expense		2,500		1
Salary Expense		8,753		1
Supplies Expense		530		1
Uncollective Acct Expense		525		1
Utilities Expense		925		1
Total Operating Expense			19,321	2
Net Income			\$ 9,140	10
			<i>Total Points</i>	40



Mandy's Muffins  
Retained Earnings Statement  
For the year ended December 31, 2005

		<i>Points</i>
		1
		1
		1
Retained Earnings, January 1	\$ 40,638	1
Net Income	9,140	1
Less Dividends	<u>1,650</u>	1
Incr (Decr) in Retained Earnings	<u>7,490</u>	1
Retained Earnings, December 31	<u><u>\$ 48,128</u></u>	<u>3</u>
		<i>Total Points</i> <u><u>10</u></u>



			<i>Points</i>
	Mandy's Muffins		1
	Balance Sheet		1
	December 31 2005		1
	Assets		1
Current Assets:			1
Cash		\$ 46,905	1
Accounts Receivable	\$ 35,000		1
Less Allow for Uncollectibles	<u>2,480</u>	32,520	1
Merchandise Inventory		13,861	1
Supplies		943	1
Prepaid Insurance		<u>1,200</u>	1
Total Current Assets		\$ 95,429	1
Plant Assets:			
Store Equipment		3,482	1
Less Accum Depr - Store Equip		<u>958</u>	1
Total Plant Assets		<u>2,524</u>	1
Total Assets		<u>\$ 97,953</u>	7
	Liabilities		1
Current Liabilities:			1
Notes Payable		10,000	1
Accounts Payable		16,000	1
Income Tax Payable		5,750	1
Dividends Payable		<u>1,575</u>	1
Total Liabilities		33,325	1
Stockholders' Equity			1
Capital Stock		16,500	1
Retained Earnings		<u>48,128</u>	1
Total Stockholders' Equity		<u>64,628</u>	1
Total Liabilities and Stock Equity		<u>\$ 97,953</u>	7
		<i>Total Points</i> <u>40</u>	