

ADVANCED ACCOUNTING (02)

Regional—2005

Multiple Choice (*30 @ 2 points each*) _____ (60 points)

Accounting Terms (*10 @ 2 points each*) _____ (20 points)

Computational Problem _____ (20 points)

TOTAL POINTS _____ **(100)**

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.***
- 3. No previous BPA tests and/or sample tests or facsimile (handwritten, photocopied, or keyed) are allowed in the testing area.***
- 4. Electronic devices will be monitored according to ACT standards.***

Maximum test time is 90 minutes

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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GENERAL INSTRUCTIONS

You have been hired to keep accounting records for Professionals 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 test is divided into two parts. 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!**

Good Luck!

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

1. The underlying concept/principle comparing current revenues and expenses is the _____.
 - A. Matching Principle
 - B. Conservatism Principle
 - C. Consistency Principle
 - D. Going Concern Principle

2. An entity's revenue may result from a(n) _____.
 - A. decrease in an assets
 - B. increase in an assets
 - C. increase in a liability
 - D. decrease in a liability

3. In November and December 2003, Dorr Company, a magazine publisher, received \$72,000 for 1,000 3-year subscriptions at \$24 per year, starting with the January, 2004 issue. Dorr elected to include the entire \$72,000 in its 2003 income statement. What amount should Dorr report in its 2003 income statement for subscriptions revenue?
 - A. \$0
 - B. \$4,000
 - C. \$24,000
 - D. \$72,000

4. 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.	Deduction	Deduction
B.	Addition	Deduction
C.	Deduction	Addition
D.	Addition	Addition

5. Cap Corp. reported accrued interest receivable of \$38,000 and \$46,500 at January 1 and December 31, 2003 respectively. During 2003, cash collections from the investments included interest of \$152,000. What amount should Cap report as interest revenue from investments for 2003?
 - A. \$160,500
 - B. \$153,500
 - C. \$152,000
 - D. \$143,500

6. On December 31, 2003, Blake company owned a parcel of land. The land was purchased for \$95,000 in 1990 and was encumbered by a mortgage with a principal balance of \$60,000 at December 31, 2003. On this date, the fair value of the land was \$150,000. In Blake's December 31, 2003 statement of financial condition, what amount should the land investment and mortgage payable be reported?

Land Investment Mortgage Payable

- | | |
|--------------|----------|
| A. \$150,000 | \$60,000 |
| B. \$95,000 | \$60,000 |
| C. \$90,000 | \$0 |
| D. \$35,000 | \$0 |

7. The following is Gold Corp's December 31, 2003, trial balance:

Cash	\$20,000	
Accounts Receivable	35,000	
Inventory	58,000	
Prepaid Expense	12,000	
Land	100,000	
Property, Plant & Equipment	95,000	
Accounts Payable		\$32,000
Common Stock		55,000
Additional Paid-In Capital		150,000
Retained Earnings		<u>83,000</u>
	<u>\$320,000</u>	<u>\$320,000</u>

In Gold Corp's 2003 balance sheet, what amount should Gold report as current Assets?

- A. \$225,000
 B. \$205,000
 C. \$195,000
 D. \$125,000
8. Which of the following should be included in general and administrative expenses?

<u>Interest</u>	<u>Advertising</u>
-----------------	--------------------

- | | |
|--------|-----|
| A. Yes | Yes |
| B. Yes | No |
| C. No | Yes |
| D. No | No |

9. Loeb Corp. frequently borrows from the bank in order to maintain sufficient operating cash. The following loans were at a 12% interest rate, with interest payable at maturity. Loeb repaid each loan in its scheduled maturity date.

<u>Date of Loan</u>	<u>Amount</u>	<u>Maturity Date</u>	<u>Term of Loan</u>
11/1/98	\$ 5,000	10/31/99	1 year
2/1/99	15,000	7/31/99	6 months
5/1/99	8,000	1/31/00	9 months

(continued on following page)

Loeb records interest expense when the loans are repaid. As a result, interest expense of \$1,500 was recorded in 1999 since no adjustment is made, by what amount would 1999 interest expense be understated?

- A. \$640
- B. \$620
- C. \$540
- D. \$720

10. On December 1, 2003, Clay Company declared and issued a 6% stock dividend on its 100,000 shares of outstanding common stock. There was no other common stock activity during 2003. What number of shares should Clay use in determining earnings per share for 2003?

- A. 100,000
- B. 100,500
- C. 103,000
- D. 106,000

Tray Company's Trial Balance for the year ended December 31, 2003, included the following:

	<u>Debit</u>	<u>Credit</u>
Cash	\$ 550,000	
Accounts Receivable	1,650,000	
Prepaid Expense	300,000	
Equipment	430,000	
Accounts Payable		\$ 120,000
Common Stock		500,000
Additional Paid-In Capital		680,000
Retained Earnings		630,000
Revenues		3,600,000
Expenses	<u>2,600,000</u>	
	<u>\$5,530,000</u>	<u>\$5,530,000</u>

11. In Tray's December 31, 2000 balance sheet, what amount should be reported as total current assets?

- A. \$1,950,000
- B. \$2,200,000
- C. \$2,500,000
- D. \$2,930,000

12. In Tray's December 31, 2003 balance sheet, what amount should be reported as total stockholder's equity?

- A. \$500,000
- B. \$1,180,000
- C. \$2,810,000
- D. \$5,530,000

13. Santos Corporation received subscriptions for 100 shares of 10%, \$100 par value preferred stock at \$102 a share. The entry to record this transaction consists of _____.

<u>Debit</u>		<u>Credit</u>	
A. Cash	\$10,000	Preferred Stock	\$10,000
		Paid In Capital	\$200
B. Cash	\$10,200	Preferred Stock	\$10,200
C. Subscriptions Receivable	\$10,200	Preferred Stock Subscribed	\$10,200
D. Subscriptions Receivable	\$10,200	Preferred Stock Subscribed	\$10,000
		Paid In Capital	200

14. 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

15. The Logan Company uses the same method of depreciation for its equipment in each fiscal period. This practice is an example of _____.

- A. conservatism
- B. consistency
- C. materiality
- D. reliability

16. 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

17. The payroll register for Rost, Inc. Showed total employee earnings of \$25,000 for the week ended July 10, 2004. All earnings were taxable at the following rates:

Social Security	6.5%
Medicare	1.5%
FUTA	.8%
SUTA	5.4%

Employer's payroll taxes for the pay period ending July 10, 2000 were _____.

- A. \$1,625
- B. \$2,000
- C. \$3,550
- D. \$5,350

18. Mayfare's bank reconciliation statement shows a book balance of \$12,560, a NSF check of \$300, and a service charge of \$10. Its adjusted book balance is _____.

- A. \$12,870
- B. \$12,250
- C. \$12,270
- D. \$12,260

19. An asset that cost \$12,000 was sold for \$8,000 cash. Accumulated depreciation on the asset was \$6,000. The entry to record this transaction includes the recognition of _____.
- A. \$2,000 gain
 - B. \$4,000 loss
 - C. \$8,000 gain
 - D. Neither gain nor loss
20. A method NOT used to value ending inventory is _____.
- A. LIFO
 - B. FIFO
 - C. Weighted Average
 - D. NASCAR
21. All of the following factors affect the estimate of depreciation except _____.
- A. depreciation method used
 - B. accumulated depreciation of the asset
 - C. estimated useful life of the asset
 - D. cost of the asset
22. In preparing its August 31, 2004 bank reconciliation, Calley Company has available the following information:
- | | |
|--------------------------------|----------|
| Balance per bank statement | \$18,050 |
| Deposit in transit | 3,250 |
| Return of Customer's NSF Check | 600 |
| Outstanding checks | 2,750 |
| Bank service charge—August | 100 |
- At August 31, 2004, Calley's adjusted bank balance is _____.
- A. \$18,550
 - B. \$17,950
 - C. \$17,850
 - D. \$17,550
23. 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
24. On December 31, 2003, prior to adjustment, Allowance for Doubtful Accounts has credit balance of \$400. An age analysis of the accounts receivable produces an estimate of \$2,000 of probable losses from uncollectible accounts. The adjusting entry needed to record the estimated losses from uncollectible accounts is made for _____.
- A. \$1,600
 - B. \$2,000
 - C. \$2,400
 - D. No adjustment is necessary

25. Keeping the personal assets of the owner of a business separate from the assets of the firm is an example of _____.
- A. following the going concern assumption
 - B. Applying the realization principle
 - C. Following the separate entity assumption
 - D. Applying the consistency principle
26. 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
27. 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. The owner's capital balance at the end of the period is _____.
- A. \$43,000
 - B. \$33,000
 - C. \$56,000
 - D. \$79,000
28. 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
29. 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
30. Which of the following items of information is **not** included on the Wage and Tax Statement (Form W-2)?
- A. Gross earnings for the year
 - B. FICA tax withheld
 - C. State and local income taxes
 - D. Net income for the year

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

- _____ 1. Ownership claims of a corporation
- _____ 2. Amount that is added to or subtracted from an account balance to bring that balance up-to-date.
- _____ 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 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. Amount paid for the use of money.
- _____ 9. Stock that has been issued and reacquired.
- _____ 10. Earnings distributed to stockholders.

Terms:

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

2. What is the cost of the ending inventory using the **retail method** of estimating ending inventory?

3. Which method would yield a higher cost of merchandise sold?

4. Which method would yield a higher gross profit?



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KEY

Regional—2005

Multiple Choice (*30 @ 2 points each*) _____ (60 points)

Accounting Terms (*10 @ 2 points each*) _____ (20 points)

Computational Problem _____ (20 points)

TOTAL POINTS _____ **(100)**

Graders:

Double-check and verify all scores!

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**ADVANCED ACCOUNTING
REGIONAL 2005
KEY
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Multiple Choice

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

Accounting Terms—2 pts. each

1. P
2. B
3. J
4. K
5. O
6. F
7. A
8. I
9. Q
10. G



Computational Problems—4 @ 5 points each

**Baron Flowers
Partial Income Statement
For Quarter Ending March 31, 2003**

REVENUE:

Sales \$500,000

COST OF GOODS SOLD:

Beginning Inventory, January 1, 2003 \$165,000

Purchases 375,000

Merchandise Available for Sale 540,000

Ending Inventory, March 31, 2003 210,000

Cost of Goods Sold 330,000

GROSS PROFIT \$170,000 (5 points)

2. Retail Method—\$225,540 (5 points)

	Cost	Retail
Beginning Inventory	\$165,000	\$258,000
Purchases	<u>375,000</u>	<u>600,000</u>
Merchandise Avail for Sale	540,000	858,000

Cost Ration— $540,000/858,000=63\%$

Deduct Retail Sales	<u>500,000</u>
Retail Value of Ending Inv.	358,000

Est. Cost of Ending Inv.— $358,000 \times 63\%$ **\$225,540**



3. Gross Profit Method

Gross Profit Method	\$330,000	(5 points)
Retail Method	\$315,000	

4. Retail Method

Retail Method	\$185,000	(5 points)
Gross Profit Method	\$170,000	