

Contestant Number: _____

Time: _____

Rank: _____



ADVANCED ACCOUNTING (110)

REGIONAL 2022

CONCEPT KNOWLEDGE:

Multiple Choice (25 @ 2 points each) _____ (50 points)

APPLICATION KNOWLEDGE:

Account Classification _____ (45 points)

Short Answer (16 @ 3 points each) _____ (48 points)

Effects on Income Statement _____ (60 points)

Inventory Costing _____ (36 points)

TOTAL POINTS _____ ***(239 points)***

Test Time: 90 minutes

GENERAL GUIDELINES:

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

1. Member must hand in this test booklet and all printouts if any. 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 (handwritten, photocopied, or keyed) are allowed in the testing area.
3. Electronic devices will be monitored according to ACT standards.

EXAM GUIDELINES:

You have been hired as a Financial Assistant and will be keeping the accounting records for Digital Solutions, located at 700 Morse Road, Suite 201, Columbus, Ohio 43214. Digital Solutions provides accounting and other financial services for clients. You will complete jobs for Digital Solutions' own accounting records, as well as for clients.

You will have 90 minutes to complete your work. The test is divided into two parts: concept knowledge and application knowledge.

Your name and/or school name should *not* appear on any work you submit for grading. Write your Member ID in the provided space. Staple all pages in order before you turn in your test.

Assumptions to make when taking this assessment:

- Round all calculations at the final step.
- Round all percentages to one decimal place.
- Use 360 days for interest calculations.

Multiple Choice Questions

Identify the letter of the choice that *best* completes the statement or answers the question.

1. Using the allowance method, what is the effect on the book value of accounts receivable when writing off an account?
 - a. Book value decreases
 - b. Book value increases
 - c. Book value remains the same
 - d. Not enough information given

2. Recording depreciation expense on a plant asset is an application of what concept?
 - a. Going concern
 - b. Business entity
 - c. Consistent reporting
 - d. Matching expenses with revenue

3. What account is credited on the reversing entry for accrued interest expense?
 - a. Interest Expense
 - b. Interest Payable
 - c. Notes Payable
 - d. Income Summary

4. What is the formula to determine Gross Profit?
 - a. Net sales minus cost of goods sold
 - b. Net sales minus operating expenses
 - c. Beginning Inventory plus net purchases minus ending inventory
 - d. Beginning inventory plus net purchases plus ending inventory

5. An amount earned by a corporation and not yet distributed to shareholders is _____.
 - a. Retained Earnings
 - b. Net Income
 - c. Capital Stock
 - d. Stockholders' Equity

6. Which asset is depreciated?
 - a. Land
 - b. Merchandise Inventory
 - c. Patent
 - d. Machinery

7. Common stock has what advantage over preferred stock?
 - a. Dividend payments
 - b. Lower par value
 - c. Market capitalization
 - d. Voting rights

8. Assuming costs are rising, what is the result of using FIFO rather than LIFO?
 - a. Higher ending inventory valuation and lower net income.
 - b. Higher ending inventory valuation and higher net income.
 - c. Higher cost of merchandise sold and higher net income.
 - d. Lower cost of merchandise sold and lower net income.

9. Which of the following is an advantage of the corporate form of business?
 - a. Owner receives 100% of the profits
 - b. Limited liability of stockholders
 - c. More government regulation
 - d. Income is not taxed

10. A journal entry for a customer dishonoring a note receivable would be recorded in what journal?
 - a. Cash Receipts
 - b. Cash Payments
 - c. Sales
 - d. General

11. Which statement would not be used for a sole proprietorship?
 - a. Balance Sheet
 - b. Distribution of Net Income Statement
 - c. Income Statement
 - d. Post-Closing Trial Balance

12. Using the double-declining balance method, you cannot depreciate below an asset's _____.
 - a. salvage value
 - b. annual depreciation
 - c. market value
 - d. cost

13. The distribution of a portion of a corporation's earnings to shareholders results in a debit to the _____ account?
 - a. Retained Earnings
 - b. Capital Stock
 - c. Dividends
 - d. Dividends Payable

14. The entry to record an internet credit card sale would be a debit to _____ and a credit to _____.
 - a. Sales, Cash
 - b. Cash, Sales
 - c. Sales, Accounts Receivable
 - d. Accounts Receivable, Sales

15. An adjusting entry is normally reversed if the adjusting entry creates a balance in _____.
 - a. a revenue or expense account.
 - b. a revenue and liability account.
 - c. an expense and asset account.
 - d. an asset or liability account.

16. At the end of a fiscal period, any revenue that has been earned and not yet collected should be credited to a(n) _____.
 - a. expense account
 - b. revenue account
 - c. asset account
 - d. liability account

17. Which of the following will increase a corporation's stockholders' equity?
 - a. Net Income
 - b. Declaring a dividend
 - c. Paying a dividend
 - d. Receiving payment on account

18. Which of the following would decrease a corporation's net income for the year?
 - a. Paying on account
 - b. Signing a promissory note
 - c. Declaring a dividend
 - d. Buying back its own stock

19. What account is debited when you close dividends?
 - a. Income Summary
 - b. Dividends
 - c. Retained Earnings
 - d. Capital Stock

20. According to GAAP, what should happen to the cost of a plant asset?
 - a. Expensed in the year of purchase
 - b. Expensed over the plant asset's useful life
 - c. Expensed over the plant asset's legal life
 - d. Expensed when it's sold, net of the cash received

21. What is the value assigned to a share of stock?
 - a. Par value
 - b. Market Value
 - c. Additional Paid-in Capital
 - d. Revenue

22. The P/E ratio is an example of which type of ratio?
 - a. Solvency
 - b. Profitability
 - c. Liquidity
 - d. Market

23. Which of the following would increase Gross Profit Margin?
 - a. Selling more merchandise
 - b. Buying less merchandise
 - c. Increasing the per unit sales price
 - d. Reducing operating expenses

24. Which of the following would increase Total Assets on a Balance Sheet?
 - a. Buying supplies with cash
 - b. Declaring a dividend
 - c. Making the adjusting entry for Prepaid Insurance
 - d. Making a credit sale

25. Which of the following information is not needed when calculating the accrued interest income on a note receivable at the end of a fiscal year?
 - a. Annual interest rate
 - b. Principal
 - c. Full term of the note
 - d. Date of the note

Account Classification – 45 points

For each account listed below state its classification (asset, liability, stockholders' equity, revenue, cost of merchandise, expense), normal balance, and what financial statement (Income statement, Statement of Stockholders' Equity, or Balance Sheet) it will appear on (can be more than one).

ACCOUNT	CLASSIFICATION (A, L, SE, R, CM, E)	NORMAL BALANCE (DR or CR)	FINANCIAL STATEMENT (IS, SOSE, BS)
Notes Payable			
Salary Expense			
Retained Earnings			
Unearned Rent			
Prepaid Advertising			
Sales Tax Payable			
Interest Receivable			
Sales Returns			
Fees Revenue			
Accumulated Depreciation			
Dividends			
Purchases Discount			
Insurance Expense			
Merchandise Inventory			
Purchases			

Short Answer Problems – 3 points each

1. On November 21st, 2021, Ace Supplies signed a 90-day promissory note with Citizens Bank for a short-term loan. The note was for \$2,750 at 4.5%.

- a. What account would be debited on November 21st for Ace Supplies? _____
- b. How much interest expense would be shown on Ace's 2021 Income Statement? _____
- c. How much interest expense would be shown on Ace's 2022 Income Statement? _____
- d. What is the maturity date for this note? _____

2. On December 31, 2021, an aging analysis of Accounts Receivables for Spyglass Hill Inc. showed the following totals for each age group. Also shown is the estimated percentage uncollectible for each age group. The credit balance of Allowance for Uncollectible Accounts before the adjusting entry = \$437.

Age of A/R	Not Yet <u>Due</u>	0-30 days <u>past due</u>	31-60 days <u>past due</u>	61-90 days <u>past due</u>	>90 days <u>past due</u>
	0.2%	0.5%	2.3%	12.5%	60%
Outstanding Balance	\$34,540	\$6,348	\$7,200	\$3,460	\$4,410

a. What is the total Accounts Receivable balance for Spyglass? _____

b. What is the amount of the adjusting entry needed for the Allowance account? _____

c. What amount appears on the Balance Sheet for Spyglass Hill Inc. for the book value of Accounts Receivable, after the adjusting entry? _____

3. Sheila, Sarah, and Sammie started a restaurant together, It Takes Three, which just concluded its second year of operation on December 31st, 2021. The three invested money at the beginning in a ratio of 4, 6, and 10 respectively, and agreed that all profits and losses would be split based upon the initial investment ratios. During the 2nd year of operations, It Takes Three showed revenues of \$177,600, with costs and operating expenses totaling \$63,200. The business is organized as a partnership.

a. What is the net income split for 2021 for Sheila? _____

b. What is the net income split for 2021 for Sammie? _____

c. The January 1st Capital balance for Sarah was \$28,750. She withdrew \$40,000 during the year. What will her ending Capital balance be on December 31st? _____

4. On July 3rd, 2021, Remington Landscaping purchased a mower, a trailer, and a spreader for a total of \$4,400. The market value for each was: mower \$2,400; trailer \$1,800; spreader \$800. Remington uses the straight-line method of depreciation. All three items have an estimated useful life of four years. The salvage value of each: mower \$400; trailer \$200; spreader \$80.

a. What was the cost assigned to the mower? _____

b. What was the cost assigned to the trailer? _____

c. What was the cost assigned to the spreader? _____

d. What is the 2021 depreciation for the mower? _____

e. What is the 2021 depreciation for the trailer? _____

f. What is the book value of the spreader on December 31, 2022? _____

Job 1 – Effects on Income Statement – 60 Points

Selected transactions for Banners Inc. are shown. Analyze each transaction and its effect on the 2021 Income Statement. Determine whether the effect is an increase or decrease, or has no effect on net income **for the year 2021**. Then identify the amount of the increase or decrease. If no effect, enter zero.

1. February 4th – Purchased \$750 worth of merchandise on account from Little Co.
2. February 17th – Purchased \$900 in supplies. Paid in full at the time of purchase. A count on December 31st revealed \$200 worth were still in inventory.
3. March 1st – Returned \$200 of damaged merchandise to Little Co. from February 4th purchase.
4. March 1st – Paid Little Co. remaining amount owed from February 4th purchase.
5. June 27th – Paid \$2,750 for equipment, which has a useful life of 5 years and an estimated salvage value of \$400. Banners Inc. uses the double-declining balance method of depreciation.
6. August 8th – Declared a dividend of 1.50 per share. Banner Inc. has 1,000,000 shares of stock outstanding.
7. September 8th – Paid dividend to shareholders from August 8th declaration.
8. September 21st – Sold merchandise on account to Roberto Dominguez, \$2,500, plus 7% sales tax. Terms of sale are 2/10, n/30. (*Note - Sales recorded using the Gross Method)
9. September 28th – Received appropriate amount owed from Roberto Dominguez from prior sale.
10. October 10th – Issued 20,000 shares of \$10 par value stock for \$230,000.
11. October 23rd – Signed a 120-day, 4.5% promissory note for \$10,000.
12. November 1st – Received \$3,000 in rental revenue for 3-month rental of extra storage space in the warehouse.
13. December 1st – Paid \$3,000 for six-month insurance policy.
14. December 27th – Sold merchandise on account to Vi Chau, \$980 plus 7% sales tax. Terms of sale are 2/10, n/30. (*Note – Sales recorded using the Gross Method)
15. December 31 – Paid \$100 fee to Landscape Creations for snow removal from its parking lot and sidewalk for January, 2022. Banners Inc. pays a monthly fee up front for this service.

Transaction Number	Effect on Net Income Increase, Decrease, None	Amount of Effect
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		

Job 2 – Inventory Costing - 36 Points

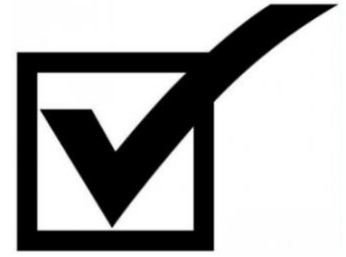
Diaz Fitness sells multiple types of workout equipment. Diaz determines the Gross Profit for each type of equipment they sell using the periodic system of inventory. For elliptical model 50B Ballard showed Sales in 2021 of \$225,000, with Sales Returns of \$2,400. A physical count of inventory on December 31st showed 24 units on hand for this model. Calculate the cost of those units in ending inventory using the LIFO, FIFO and Weighted Average methods. Once you have determined the ending inventory, calculate Cost of Goods Sold, Gross Profit, and Gross Profit Margin for each method as well. Round the Gross Profit Margin to one decimal point.

Beginning Merchandise Inventory	15 Units @ \$1,990
Purchased on February 8	20 Units @ \$1,975
Purchased on June 14	20 Units @ \$1,935
Purchased on Oct 25	20 Units @ \$1,920

	LIFO	FIFO	Weighted Average
Balance of Ending Inventory	_____	_____	_____
Cost of Goods Sold	_____	_____	_____
Gross Profit	_____	_____	_____
Gross Profit Margin	_____	_____	_____



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Multiple Choice (25 @ 2 points each) _____ (50 points)

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Account Classification _____ (45 points)

Short Answer (16 @ 3 points each) _____ (48 points)

Effects on Income Statement _____ (60 points)

Inventory Costing _____ (36 points)

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

Account Classification – 45 points – 1 point each – Note to Grader - If two Financial Statements are shown, both must be included to earn the point.

ACCOUNT	CLASSIFICATION (A, L, SE, R, CM, E)	NORMAL BALANCE (DR or CR)	FINANCIAL STATEMENT (IS, SOSE, BS)
Notes Payable	L	CR	BS
Salary Expense	E	DR	IS
Retained Earnings	SE	CR	SOSE, BS
Unearned Rent	L	CR	BS
Prepaid Advertising	A	DR	BS
Sales Tax Payable	L	CR	BS
Interest Receivable	A	DR	BS
Sales Returns	R	DR	IS
Fees Revenue	R	CR	IS
Accumulated Depreciation	A	CR	BS
Dividends	SE	DR	SOSE
Purchases Discount	CM	CR	IS
Insurance Expense	E	DR	IS
Merchandise Inventory	A	DR	IS, BS
Purchases	CM	DR	IS

Short Answer Problems — 48 Points, each worth 3 points

1. a. Cash

b. 13.75

c. 17.19

d. Feb. 19

2. a. 55,958

b. 2,907.92

c. 52,613.08

3 a. 22,880

b. 57,200

c. 23,070

4 a. 2,112

b. 1,584

c. 704

d. 214

e. 173

f. 470

Job 1 – Effects on Income Statement – 60 Points – 2 points each

Transaction Number	Effect on Net Income Increase, Decrease, None	Amount of Effect
1	None	0
2	Decrease	700
3	None	0
4	None	0
5	Decrease	550
6	None	0
7	None	0
8	Increase	2,500
9	Decrease	50
10	None	0
11	Decrease	86.25
12	Increase	2,000
13	Decrease	500
14	Increase	980
15	None	0

Job 2 – Inventory Costing - 36 Points – 3 points each

	LIFO	FIFO	Weighted Average
Balance of Ending Inventory	<u>47,625</u>	<u>46,140</u>	<u>46,864 or 46,864.08</u>
Cost of Goods Sold	<u>98,825</u>	<u>100,310</u>	<u>99,586 or 99,585.92 or 99,586.17</u>
Gross Profit	<u>123,775</u>	<u>122,290</u>	<u>123,014 or 123,014.08 or 123,013.83</u>
Gross Profit Margin	<u>55.6%</u>	<u>54.9%</u>	<u>55.3%</u>