

ADVANCED ACCOUNTING (02) Regional – 2013

Multiple Choice	_____ (50 pts)
Problem 1 Discounting Notes	_____ (24 pts)
Problem 2 Journalizing	_____ (52 pts)
Problem 3 MACRS Depreciation	_____ (18 pts)
Problem 4 Distribution of Partnership Income	_____ (33 pts)
TOTAL POINTS	_____ (177 pts)

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- 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

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 should be completed first and then the accounting problems may be completed in any order. Any interest is calculated on 360 days and rounding should be to the nearest cent or hundredth.

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Multiple Choice (25 questions at 2 points each) Circle the best answer.

1. Which of the following is included in the cost of land?
 - a. Title search
 - b. Razing
 - c. Brokerage commission
 - d. All of the above

2. A building was appraised for \$710,000. The offering price of the building is \$725,000. The buyer acquires the building at a price of \$720,000 and proceeds to spend \$15,000 in remodeling. What is the cost basis for the building?
 - a. \$735,000
 - b. \$725,000
 - c. \$710,000
 - d. \$720,000

3. The initial journal entry for recording a capital lease would
 - a. Be a memo entry only
 - b. Be to debit a fixed asset and credit a liability
 - c. Be a debit to an expense and credit to cash
 - d. Be a debit to a liability and credit to cash

4. When a company trades in a truck for a new model and receives a trade-in allowance less than the book value, the transaction would be recorded with the following entry.
 - a. Debit - Truck, Accumulated Depreciation, Loss on Disposal; Credit - Truck and Cash
 - b. Debit - Accumulated Depreciation and Loss on Disposal; Credit - Truck and Cash
 - c. Debit Truck, Accumulated Depreciation; Credit - Truck, Cash and Gain on Disposal
 - d. Debit – Truck, Accumulated Depreciation, Loss on Disposal; Credit Cash

5. Wonderful Company purchased the Goodly Inc, paying \$60,000 in goodwill in which Goodly had developed over 10 years. How much should Wonderful amortize for goodwill each year?
 - a. \$6,000
 - b. \$3,000
 - c. Not enough information
 - d. Goodwill is not amortized

6. The amount received on a note less the discount, is called?
 - a. The proceeds
 - b. The maturity value
 - c. The principal
 - d. The deferred interest

7. The current portion of long-term debt should
- Be classified as a long-term liability
 - Be reclassified as a current liability
 - Be paid in the next month
 - Not be separated from the long-term portion of debt
8. In the last payroll period of the year, Employee A has cumulated earnings of \$101,300 and Employee B \$108,000, respectively. Earnings are subject to social security tax of 6.2% up to \$102,800 and a medicare tax rate of 1.45%. Assuming that the payroll will be paid on December 28 and each employee is paid \$3,000, what will be the will be the social security withheld for each employee?
- A \$186 and B \$186
 - A \$ 0 and B \$ 93
 - A \$ 0 and B \$ 0
 - A \$93 and B \$ 0
9. Another name for Quick Ratio is
- Working capital ratio
 - Current ratio
 - Acid-test ratio
 - Turnover ratio
10. Which of the following is a characteristic of a general partnership?
- The partners have limited liability
 - The partners have unlimited liability
 - The partnership is subject to federal income tax
 - The partnership must be approved through the state
11. The characteristic of a partnership which gives any partner the authority to bind a contract in the partnership's name is called
- Dissolution
 - Liquidation
 - Bylaws
 - Mutual agency
12. Partner A contributes to the new partnership: Cash, a Truck, and Land. At what cost should these assets be recorded?
- Book value
 - Original cost
 - Fair market value
 - Assessed value

13. A ratio of 3:4:1 is the same as
- a. 30%, 40%, 10%
 - b. 3/10, 4/10, 1/10
 - c. 3/8, 4/8, 1/8
 - d. Both a and b
14. Income/Loss and Gains/Losses are distributed to partners according to their partnership agreements. If there is no partnership agreement, income for the year would be split
- a. Equally
 - b. According to capital balances
 - c. According to original investment
 - d. Time devoted to business
15. When a new partner is admitted to a partnership, there should be a(n)
- a. Return of assets
 - b. Allocation of assets
 - c. Realization of assets
 - d. Revaluation of assets
16. A partnership liquidation occurs when
- a. A new partner is admitted
 - b. The assets are sold, liabilities paid and operations terminated
 - c. A partner dies
 - d. Both a and c
17. One of the main advantages of the corporate form is the
- a. Articles of incorporation
 - b. Double taxation
 - c. Capability to raise large amounts of money
 - d. Issuance of stock
18. Stockholders' equity is equal to
- a. Paid-in capital less retained earnings
 - b. Paid-in capital plus retained earnings less treasury stock
 - c. Paid-in capital less treasury stock
 - d. Retained earnings less treasury stock
19. The state charter allows a corporation to issue only a certain numbers of shares of stock, this amount is called
- a. Issued stock
 - b. Outstanding stock
 - c. Authorized stock
 - d. Treasury stock

20. Common stock may be issued in exchange for

- a. Cash
- b. Professional fees
- c. Noncash asset
- d. All of the above

21. The charter of a corporation provides for the issuance of 10,000 share of common stock.

Assume that 8,000 were originally issued and that 1,000 were subsequently reacquired. What is the number of shares outstanding?

- a. 8,000
- b. 7,000
- c. 9,000
- d. 10,000

22. Par value

- a. Is the fair market value of the stock
- b. Represents the original selling price of the stock
- c. Is the monetary value assigned in the corporate charter
- d. Is the amount paid for the stock

23. There are three important dates in declaring dividends, what are they called?

- a. Declaration date, date of record, liability date
- b. Declaration date, liability date, payment date
- c. Date of record, liability date, payment date
- d. Declaration date, date of record, payment date

24. In which section of the balance sheet would Treasury Stock be reported?

- a. Investments
- b. Stockholders' equity
- c. Intangible assets
- d. Long-term liabilities

25. Which of the following stock transactions does not require a journal entry?

- a. Stock dividends
- b. Stock split
- c. Organization costs
- d. Trade stock for equipment

Problem 1 – Discounted Notes (24 at 1 points each)

Instructions: For each of the interest-bearing notes, compute the Interest, Maturity Value, Maturity Date, Days of Discount, Discount Amount, and Proceeds.

Face Value: \$3,850
 Date of Note: April 16
 Interest Rate: 8%
 Days of Note: 120 days

Face Value: \$120,000
 Date of Note: October 28
 Interest Rate: 10%
 Days of Note: 45 days

Discount Date: May 31
 Discount Rate: 11%

Discount Date: November 12
 Discount Rate: 12%

Interest Amount: _____

Interest Amount: _____

Maturity Value: _____

Maturity Value: _____

Maturity Date: _____

Maturity Date: _____

Days of Discount: _____

Days of Discount: _____

Discount Amount: _____

Discount Amount: _____

Proceeds: _____

Proceeds: _____

Face Value: \$1,800
 Date of Note: Nov. 3
 Interest Rate: 8%
 Days of Note: 90 days

Face Value: \$72,000
 Date of Note: Jun. 19
 Interest Rate: 10%
 Days of Note: 90 days

Discount Date: Dec. 30
 Discount Rate: 10%

Discount Date: Jul. 19
 Discount Rate: 14%

Interest Amount: _____

Interest Amount: _____

Maturity Value: _____

Maturity Value: _____

Maturity Date: _____

Maturity Date: _____

Days of Discount: _____

Days of Discount: _____

Discount Amount: _____

Discount Amount: _____

Proceeds: _____

Proceeds: _____

Problem 3 - MACRS depreciation (18 points)

Using the MACRS table below, complete the following calculations for MACRS depreciation.

MACRS Cost –Recovery Rates, Half-Year Convention, in Percents

Year	3-Year	5-Year	7-Year	10-Year	15-Year	20-Year
1	33.33	20.00	14.29	10.00	5.00	3.750
2	44.45	32.00	24.49	18.00	9.50	7.219
3	14.81	19.20	17.49	14.40	8.55	6.677
4	7.41	11.52	12.49	11.52	7.70	6.177
5		11.52	8.93	9.22	6.93	5.713
6		5.76	8.92	7.37	6.23	5.285
7			8.93	6.55	5.90	4.888
8			4.46	6.55	5.90	4.522
9				6.56	5.91	4.462
10				6.55	5.90	4.461
11				3.28	5.91	4.462
12					5.90	4.461
13					5.91	4.462
14					5.90	4.461
15					5.91	4.462
16					2.95	4.461
17						4.462
18						4.461
19						4.462
20						4.461
21						2.231

- a. What is the depreciation in year 2 of 20-year property costing \$11,000 and no residual value?

- b. What is the MACRS depreciation for the first three years of a truck costing \$27,500 with a residual of \$2,500 in the 5-year category?.

- c. A piece of equipment costs \$282,000 and has a salvage value of \$3,000. What is the MACRS depreciation for the **last 2 years**, if this equipment is in the 20-year category?

Problem 4 – Distribution of Partnership Income (33 points)

Distribute the income among the partners according to the specifications listed.

1. Net income is \$40,000. Salary allowance for Howell is \$10,000, Carr is \$20,000, any remaining will be split equally.

	Howell	Carr	Total
Total			

2. Net Income is \$40,000. Salary allowance for Howell is \$10,000, Carr is \$20,000. A 10% interest is to be paid on the beginning capital balance in which each partner had a beginning capital balance of \$25,000 and the remaining split equally.

	Howell	Carr	Total
Total			

3. Net Income is \$20,000. Salary allowance for Howell is \$10,000, Carr is \$20,000. A 10% interest is to be paid on the beginning capital balance in which each partner had a beginning capital balance of \$25,000 and the remaining split equally.

	Howell	Carr	Total
Total			



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You will have 90 minutes to complete your work. The test is divided into two parts. The multiple choice should be completed first and then the accounting problems may be completed in any order. Any interest is calculated on 360 days and rounding should be to the nearest cent or hundredth.

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Multiple Choice (25 questions at 2 points each) Circle the best answer.

- 1. D
- 2. A
- 3. B
- 4. A
- 5. D
- 6. A
- 7. B
- 8. D
- 9. C
- 10. B

- 11. D
- 12. C
- 13. C
- 14. A
- 15. D
- 16. B
- 17. C
- 18. B
- 19. C
- 20. D

- 21. B
- 22. C
- 23. D
- 24. B
- 25. B



Problem 1 – Discounted Notes (1 point for each answer for a total of 24 points)

Instructions: For each of the interest-bearing notes, compute the Interest, Maturity Value, Maturity Date, Days of Discount, Discount Amount, and Proceeds.

Face Value: \$3,850
Date of Note: April 16
Interest Rate: 8%
Days of Note: 120 days

Discount Date: May 31
Discount Rate: 11%

Interest Amount: _\$ 102.67_

Maturity Value: _\$ 3,952.67_

Maturity Date: ___Aug 14__

Days of Discount: ___75 days_

Discount Amount: _\$ 90.58_

Proceeds: _\$ 3,862.09_

Face Value: \$120,000
Date of Note: October 28
Interest Rate: 10%
Days of Note: 45 days

Discount Date: November 12
Discount Rate: 12%

Interest Amount: _\$ 1,500_

Maturity Value: \$121,500_

Maturity Date: ___Dec 12__

Days of Discount: ___30 days_

Discount Amount: ___\$ 1,215_

Proceeds: \$120,285_

Face Value: \$1,800
Date of Note: Nov. 3
Interest Rate: 8%
Days of Note: 90 days

Discount Date: Dec. 30
Discount Rate: 10%

Interest Amount: _\$ 36.00_

Maturity Value: _\$ 1,836.00_

Maturity Date: ___Feb 1__

Days of Discount: ___33 days_

Discount Amount: _\$ 16.83_

Proceeds: _\$ 1,819.17_

Face Value: \$72,000
Date of Note: Jun. 19
Interest Rate: 10%
Days of Note: 90 days

Discount Date: Jul. 19
Discount Rate: 14%

Interest Amount: _\$ 1,800_

Maturity Value: _\$ 73,800_

Maturity Date: ___Sept 17__

Days of Discount: ___60 days_

Discount Amount: ___\$ 1,722_

Proceeds: _\$ 72,078_



Problem 2 - Journalizing (Each line worth 2 points for a total of 52 points) Note to graders – must have account title, amount, and debit/credit correct to receive 2 points. Account titles may be slightly different or abbreviated (Example Fees Earned may be Service Revenue, Utility Expense may be Electricity Expense) – do not count incorrect.

The following entries are for the newly formed partnership of N & J Associates. Journalize the following transactions on the general journal page provided.

- Feb. 1 Les Norberg invested cash of \$10,000 and a truck in the new partnership. Les bought the truck two years ago to \$35,000. He has depreciated the truck by \$18,000. The fair market value of the truck is \$15,000.
- Feb. 1 Aneta Johnson invested \$50,000 cash.
- Feb. 2 Paid \$1,500 for rent on the office for the month.
- Feb. 3 Purchased office equipment for \$5,000 by paying \$1,000 down and signing a note for the remainder.
- Feb. 4 Received \$1,375 cash for services provided to ABT Company.
- Feb. 6 Provided services to Gammat Company on account for \$21,000.
- Feb. 12 Purchased supplies for \$955.
- Feb. 19 Paid the utility bill of \$310.
- Feb. 25 Purchased annual insurance policy for \$300.
- Feb. 28 Received the amount due from Gammat Company.
- Feb. 28 Les Norberg withdrew \$2,000 and Aneta Johnson withdrew \$1,500.

General Journal

Date	Description	Post Ref	Debit	Credit
Feb. 1	Cash		\$ 10,000	
	Truck		15,000	
	Les Norberg, Capital			\$ 25,000
Feb. 1	Cash		50,000	
	Aneta Johnson, Capital			50,000
Feb. 2	Rent Expense		1,500	
	Cash			1,500



General Journal

Page 2

Date	Description	Post Ref	Debit	Credit
Feb. 3	Office Equipment		5,000	
	Cash			1,000
	Notes Payable			4,000
Feb. 4	Cash		1,375	
	Fees Earned			1,375
Feb. 6	Accounts Receivable – Gammot Company		21,000	
	Fees Earned			21,000
Feb. 12	Supplies		955	
	Cash			955
Feb. 19	Utilities Expense		310	
	Cash			310
Feb. 25	Prepaid Insurance		300	
	Cash			300
Feb. 28	Cash		21,000	
	Accounts Receivable – Gammot Co.			21,000
Feb. 28	Les Norberg, Drawing		2,000	
	Cash			2,000
	Aneta Johnson, Drawing		1,500	
	Cash			1,500
	Please note – last entry may be combined!			



Problem 3 - MACRS depreciation (3 points for each answer for a total of 18 points)

Using the MACRS table below, complete the following calculations for MACRS depreciation.

- a. What is the depreciation in year 2 of 20-year property costing \$11,000 and no residual value?

\$794.09

- b. What is the MACRS depreciation for the first three years of a truck costing \$27,500 with a residual of \$2,500 in the 5-year category?.

Year One \$ 5,500 Year Two \$ 8,800 Year Three \$ 5,280

- c. A piece of equipment costs \$282,000 and has a salvage value of \$3,000. What is the MACRS depreciation for the **last 2 years**, if this equipment is in the 20-year category?

Year Twenty \$12,580.02 Year Twenty-one \$ 6,291.42



Problem 4 – Distribution of Partnership Income (33 points – 1 point for each number)

Distribute the income among the partners according to the specifications listed.

1. Net income is \$40,000. Salary allowance for Howell is \$10,000, Carr is \$20,000, any remaining will be split equally.

	Howell	Carr	Total
Salary Allowance	\$ 10,000	\$ 20,000	\$ 30,000
Remaining	5,000	5,000	10,000
Total	<u>\$ 15,000</u>	<u>\$ 25,000</u>	<u>\$ 40,000</u>

2. Net Income is \$40,000. Salary allowance for Howell is \$10,000, Carr is \$20,000. A 10% interest is to be paid on the beginning capital balance in which each partner had a beginning capital balance of \$25,000 and the remaining split equally.

	Howell	Carr	Total
Salary Allowance	\$ 10,000	\$ 20,000	\$ 30,000
Interest	2,500	2,500	5,000
Remaining	2,500	2,500	5,000
Total	<u>\$ 15,000</u>	<u>\$ 25,000</u>	<u>\$ 40,000</u>

3. Net Income is \$20,000. Salary allowance for Howell is \$10,000, Carr is \$20,000. A 10% interest is to be paid on the beginning capital balance in which each partner had a beginning capital balance of \$25,000 and the remaining split equally.

	Howell	Carr	Total
Salary Allowance	\$ 10,000	\$ 20,000	\$ 30,000
Interest	2,500	2,500	5,000
Remaining	(7,500)	(7,500)	(15,000)
Total	<u>\$ 5,000</u>	<u>\$ 15,000</u>	<u>\$ 20,000</u>