

ADVANCED ACCOUNTING (02)

REGIONAL 2011

CONTESTANT ID# _____ START TIME _____ END TIME _____



Financial Services Events Sponsored by the American Institute of Certified
Public Accounts

Multiple Choice (20 @ 2 points each) _____ (40 pts.)

Short Answer (19 @ 3 points each) _____ (57 pts.)

Matching (14 @ 2 points each) _____ (28 pts.)

Production Portion

Problem 1: Transactions _____ (42 pts.)

Problem 2: Inventory _____ (26 pts.)

TOTAL POINTS _____ **(193)**

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 material 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

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Workplace Skills Assessment Program 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 objective questions and the short answer and matching questions 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 unless instructed otherwise.

Use 360 days for calculating interest.

Good Luck!

Multiple Choice Questions:

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

1. A vendor informs the customer in writing that a sales return has been granted by providing a
 - a. Debit Memorandum
 - b. Credit Memorandum
 - c. Purchase Return
 - d. Sales Return

2. The maximum amount of earnings that can be taxed is the
 - a. Tax base
 - b. Gross pay
 - c. Net pay
 - d. Tax levy

3. Revenue that is realized after the sale of a plant asset
 - a. Loss of plant asset
 - b. Gain on plant asset
 - c. Depreciation
 - d. Appreciation

4. Factory overhead includes all the expenses besides direct materials and direct labor that are involved in making a product.
 - a. True
 - b. False

5. Items owed that will be paid within a year are
 - a. Current assets
 - b. Plant assets
 - c. Current liabilities
 - d. Long-term liabilities

6. One major difference between a note and a bond is the amount of time given to repay.
 - a. True
 - b. False

7. Notes that are accepted by a business from a customer are
 - a. Mortgage notes payable
 - b. Notes receivable
 - c. Notes payable
 - d. Accounts receivable

8. Which of the following should not be paid for with the petty cash fund?
 - a. Postage \$8.80
 - b. Office Supplies \$104.63
 - c. Cleaning Supplies \$28.35
 - d. Advertising Video \$450.00

9. The same amount of depreciation is recorded each year by using
 - a. Straight-line method
 - b. Double-declining balance method
 - c. Units of production method
 - d. Weighted-average method

10. A comparative income statement shows sales, costs, and expenses for two or more years.
 - a. True
 - b. False

11. The statement that shows changes from operating, financial, and investing activities is
 - a. Balance Sheet
 - b. Income Statement
 - c. Statement of Cash Flows
 - d. Statement of Owner's Equity

12. Which of the following is not a reason for bank reconciliation?
 - a. Bank errors
 - b. Service charges
 - c. Cleared checks
 - d. NSF

13. Which of the following is not a special-purpose fund?
 - a. Petty Cash
 - b. Payroll account
 - c. Travel account
 - d. Checking account

14. A stock dividend is distributed to stockholders and includes a cash portion as well as shares of stock.
 - a. True
 - b. False

15. The objective of most businesses is
 - a. to have repeat customers
 - b. to produce the best product
 - c. to dominate their industry
 - d. to make a profit

16. The moral principles that guide the conduct of individuals and companies are
 - a. GAAP code of conduct
 - b. ethics
 - c. generally accepted accounting principles
 - d. best practice

17. Stated-value stock is no-par-value stock that has an assigned value by the issuing corporation.
 - a. True
 - b. False

18. Which financial statement shows the condition of the business on a specific date?
 - a. Balance sheet
 - b. Income statement
 - c. Statement of cash flows
 - d. Statement of Owner's Equity

19. Which financial statement shows the progress of the business over a period of time?
 - a. Balance sheet
 - b. Income statement
 - c. Statement of cash flows
 - d. Statement of Owner's Equity

20. The future value of an annuity is the amount of money an investment will produce at a specific rate of return.
 - a. True
 - b. False

Short Answer:

1. Using the following information figure gross profit and net income: Accounts Payable 1,400, Accounts Receivable 1,950, Cash 13,500, Cost of Goods Sold 2,375, Depreciation Expense 650, Equipment 4,500, Insurance Expense 625, Notes Payable 7,500, Rent Expense 1,200, and Sales 12,450.

Gross Profit _____

Net Income _____

2. Reconcile the following checking account for Wawasee Posters, Inc. The bank balance reported on the statement is 7,500. The checkbook balance is 6,775. The bank service charge is 25. A deposit made yesterday and still in transit was made for 825. The total of checks written but not yet cleared is 2,225. A NSF was reported for 650. What are the adjusted balances?

Checkbook Balance _____

Adjusted Bank Balance _____

3. The partnership of Fields and Gray is being dissolved. The percentages for the Fields and Gray partnership are 55% and 45% respectively. After all expenses have been paid, the final cash balance is \$26,853.23. What is the final payout?

Gray _____

Fields _____

4. Use the given data for the requested information. Where appropriate, round answers to the nearest tenth.

Account Title	January 1, 2010	December 31, 2010
Accounts Receivable	50,329.14	45,462.79
Allowance for Uncollectible Accounts	1,416.83	1,363.88
Net Sales	31,726.15	33,0312.85
Shares of Capital Stock Outstanding	70,000	75,000
Total Assets	2,043,147.10	2,473,189.02
Total Current Assets	1,134,729.11	1,079,732.07
Total Current Liabilities	732,121.08	737,129.13
Total Liabilities	1,439,218.03	1,732,010.89

Accounts Receivable Turnover Ratio _____

Average Number of Days for Payment _____

Current Ratio as of December 31 _____

Debt Ratio as of December 31 _____

Working Capital as of December 31 _____

5. Tucker's board of directors declared a dividend of \$75,000. Preferred stock issued is \$400,000 of 10%, \$100 par value preferred stock. Common stock is issued at \$950,000 of \$10 stated-value common stock. How much of the dividend will each type of stock receive?

Common _____

Preferred _____

6. Jaron Lawrence is trying to determine if purchasing new production equipment is worth the investment. The cost of the equipment is \$5,000. The estimated increase in units sold is 5,000. Mr. Lawrence wants to see if the change in his net income is worth the purchase of the equipment which only affects the variable cost per unit. The new equipment would increase variable cost by \$.10 per unit. Complete the table to determine to show the change in price for Mr. Lawrence.

	Current Price			New Price with Equipment		
	Per Unit	Units Sold	Total	Per Unit	Units Sold	Total
Net Sales	\$7.50	45,000				
Variable Costs	6.25	45,000				
Contribution Margin						
Fixed Costs			35,750			
Net Income (Loss)						

Current Net Income _____ New Net Income _____

If Mr. Lawrence wants the cost of the equipment paid for in 2 years should he purchase the production equipment? _____

7. Dustin Anthony is trying to determine if purchasing new equipment is worth the investment. The cost of the equipment is \$7,500. The estimated increase in units sold is 7,500. Mr. Anthony wants to see if the change in his net income is worth the purchase of the equipment which only affects the fixed costs. He believes that with the purchase of this equipment would decrease net sales by \$.25 and variable costs by \$.35. Complete the table to determine to show the change in price for Mr. Anthony.

	Current Price			New Price with Equipment		
	Per Unit	Units Sold	Total	Per Unit	Units Sold	Total
Net Sales	\$6.50	50,000				
Variable Costs	5.75	50,000				
Contribution Margin						
Fixed Costs			30,000			
Net Income (Loss)						

Current Net Income _____

New Net Income _____

If Mr. Anthony wants the cost of the equipment paid for in 2 years should he purchase the production equipment? _____

Matching Accounting Terminology:

1. _____ Business transactions are reported in common values such as Dollars or Euros.
2. _____ Business owned by two or more persons.
3. _____ Liability created by receiving the cash in one fiscal period in advance of providing the service in the next fiscal period.
4. _____ Revenue earned in one fiscal period but not received until the next fiscal period.
5. _____ Evaluating accounts receivable by the date due.
6. _____ Business created with article of corporation.
7. _____ Used for accounts receivable or accounts payable accounts.
8. _____ Distributing corporation's earnings to stockholders.
9. _____ Financial rights to the assets of a business.
10. _____ Business owned by one person.
11. _____ The amount of net income given to a share of stock.
12. _____ Combines the characteristics of a partnership with a corporation.
13. _____ Recording transactions based on the rules of debit and credit ensuring that the accounting equation is always kept in balance.
14. _____ Comparing one item on a current financial statement to the same item on prior statements

- | | |
|------------------------------------|------------------------|
| A. Accrued Expense | P. Partnership |
| B. Accrued Revenue | Q. Proprietorship |
| C. Aging Accounts Receivable | R. Silent Partner |
| D. Allowance for Doubtful Accounts | S. Subsidiary Ledger |
| E. Average Rate of Return | T. Unearned Revenue |
| F. Commons Stock | U. Unit of Measurement |
| G. Corporation | |
| H. Departmental Accounting | |
| I. Dividends | |
| J. Double-Entry Accounting | |
| K. Earnings Per Share | |
| L. Equities | |
| M. Horizontal Analysis | |
| N. LLC | |
| O. Objective Evidence | |

ADVANCED ACCOUNTING (02) REGIONAL 2011

CONTESTANT ID# _____

Problem #1: Recording Transactions in the General Journal

Assume your business is using only a general journal. Do not skip lines between transactions.

January 2. Wrote check #1372 for annual deposit to bond sinking fund. Budgeted payment is \$75,000 however in the first year the deposit earned an average of 4.24% interest totaling \$3,187.50.

January 5. Issued credit to Meteor Supply Company for returned merchandise, \$247, plus 7% sales tax, from invoice number 204, credit memorandum number 45.

January 7. Returned merchandise from Ocean Ltd. totaling \$ 93.28, debit memorandum 37.

January 7. Memorandum 39 states that LPS account has been deemed uncollectible. Using the allowance method record the write off of the balance of \$ 62.15.

January 15. Bob Blue purchased 300 shares of \$100 par value preferred stock at \$95.00 per share. Receipt no. 71.

January 30. LPS paid dishonored note plus interest (9%). Receipt No. 72.

February 2. Memorandum 38 from the bond trustee reports that bond issue is retired from sinking fund, \$150,000.

February 4. Received a delivery truck from Kortney Smith for 1,000 shares of \$10.00 par value stock. The truck has an agreed upon value of \$11,500, memorandum 39.

ADVANCED ACCOUNTING (02) REGIONAL 2011

CONTESTANT ID# _____

Problem #2

Purchase			LIFO Method		FIFO Method	
Date	Price	Units	Units	Costs	Units	Cost
Beg Inv	2.50	350				
March	1.99	265				
May	2.15	125				
October	2.45	235				
November	2.68	175				
Totals			675		675	

Complete the chart to answer the following questions:

LIFO Total Cost _____

FIFO Total Cost _____

Weighted Average Total Cost _____



ADVANCED ACCOUNTING (02)



KEY

Regional—2011

Multiple Choice (20 @ 2 points each)	_____	(40 pts.)
Short Answer (19@ 3 points each)	_____	(57 pts.)
Matching (14 @ 2 points each)	_____	(28 pts.)
Production Portion		
Problem 1: Transactions	_____	(42 pts.)
Problem 2: Inventory	_____	(26 pts.)
TOTAL POINTS	_____	(193)

Judges/Graders:

Please double-check and verify all scores!

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You will have 90 minutes to complete your work. The objective questions and the short answer and matching questions 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.

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Round each problem to two decimal places unless instructed otherwise.

Use 360 days for calculating interest.

Good Luck!



Multiple Choice Questions:

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

Short Answer:

1. Using the following information figure gross profit and net income: Accounts Payable 1,400, Accounts Receivable 1,950, Cash 13,500, Cost of Goods Sold 2,375, Depreciation Expense 650, Equipment 4,500, Insurance Expense 625, Notes Payable 7,500, Rent Expense 1,200, and Sales 12,450.

Gross Profit **\$10,075**
12450-2375

Net Income **\$7,600**
10075-650-625-1200

2. Reconcile the following checking account for Wawasee Posters, Inc. The bank balance reported on the statement is 7,500. The checkbook balance is 6,775. The bank service charge is 25. A deposit made yesterday and still in transit was made for 825. The total of checks written but not yet cleared is 2,225. A NSF was reported for 650. What are the adjusted balances?

Checkbook Balance **\$6,100**
6775-25-650

Adjusted Bank Balance **\$6,100**
7500-2225+825

3. The partnership of Fields and Gray is being dissolved. The percentages for the Fields and Gray partnership are 55% and 45% respectively. After all expenses have been paid, the final cash balance is \$26,853.23. What is the final payout?

Gray **\$12,083.95**
26853.23*.45

Fields **\$14,769.28**
26853.23*.55



4. Use the given data for the requested information. Where appropriate, round answers to the nearest tenth.

Account Title	January 1, 2010	December 31, 2010
Accounts Receivable	50,329.14	45,462.79
Allowance for Uncollectible Accounts	1,416.83	1,363.88
Net Sales	31,726.15	33,0312.85
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Total Current Assets	1,134,729.11	1,079,732.07
Total Current Liabilities	732,121.08	737,129.13
Total Liabilities	1,439,218.03	1,732,010.89

Accounts Receivable Turnover Ratio **6.9**

$$50329.14 + 45462.79 = 95791.93 \quad 95791.93 / 2 = 47895.97 \quad 330312.85 / 47895.97$$

Average Number of Days for Payment **53**

$$365 / 6.9 = 52.89$$

Current Ratio as of December 31 **1.5**

$$1079732.07 / 737129.13$$

Debt Ratio as of December 31 **70.0%**

$$1732010.89 / 2473189.02$$

Working Capital as of December 31 **\$342,602.94**

$$1079732.07 - 737129.13$$

5. Tucker's board of directors declared a dividend of \$75,000. Preferred stock issued is \$400,000 of 10%, \$100 par value preferred stock. Common stock is issued at \$950,000 of \$10 stated-value common stock. How much of the dividend will each type of stock receive?

Common **35,000**

$$75000 - 40000$$

Preferred **40,000**

$$400000 * .1$$



6. Jaron Lawrence is trying to determine if purchasing new production equipment is worth the investment. The cost of the equipment is \$5,000. The estimated increase in units sold is 5,000. Mr. Lawrence wants to see what the change in his net income is worth the purchase of the equipment which only affects the variable cost per unit. Complete the table to determine to show the change in price for Mr. Lawrence.

	Current Price			New Price with Equipment		
	Per Unit	Units Sold	Total	Per Unit	Units Sold	Total
Net Sales	\$7.50	45,000	\$337,500.00	\$7.50	50,000	\$375,000.00
Variable Costs	6.25	45,000	281,250	6.35	50,000	317,500
Contribution Margin	\$1.25	45,000	\$56,250.00	\$1.15	50,000	\$57,500.00
Fixed Costs			35,750			35,750
Net Income (Loss)			\$20,500.00			\$21,750.00
			Current Net Income \$20,500			New Net Income \$21,750

If Mr. Lawrence wants the cost of the equipment paid for in 2 years should he purchase the production equipment? **No**

7. Dustin Anthony is trying to determine if purchasing new equipment is worth the investment. The cost of the equipment is \$7,500. The estimated increase in units sold is 7,500. Mr. Anthony wants to see what the change is in his net income is worth the purchase of the equipment which only affects the fixed costs. He believes that with the purchase of this equipment he can also decrease net sales by \$.25 and variable costs by \$.35. Complete the table to determine to show the change in price for Mr. Anthony.

	Current Price			New Price with Equipment		
	Per Unit	Units Sold	Total	Per Unit	Units Sold	Total
Net Sales	\$6.50	50,000	\$325,000.00	\$6.25	57,500	\$359,375.00
Variable Costs	5.75	50,000	287,500	5.40	57,500	310,500
Contribution Margin	\$0.75	50,000	\$37,500.00	\$0.85	57,500	\$48,875.00
Fixed Costs			30,000			37,500
Net Income (Loss)			\$7,500.00			\$11,375.00

Current Net Income **\$7,500.00** New Net Income **\$11,375.00**

If Mr. Anthony wants the cost of the equipment paid for in 2 years should he purchase the production equipment? **Yes**



Matching Accounting Terminology:

1. U
2. P
3. T
4. B
5. C
6. G
7. S
8. I
9. L
10. Q
11. K
12. N
13. J
14. M

Problem #1: Recording Transactions in the General Journal

Each **highlighted** answer is worth one point. The date column and source document column are worth one point each. The total amount for each transaction is reported.

January 2. Wrote check #1372 for annual deposit to bond sinking fund. Budgeted payment is \$75,000 however in the first year the deposit earned an average of 4.24% interest totaling \$3,187.50. (6 points)

January 5. Issued credit to Meteor Supply Company for returned merchandise, \$247, plus 7% sales tax, from invoice number 204, credit memorandum number 45. (6 points)

January 7. Returned merchandise from Ocean Ltd. totaling \$ 93.28, debit memorandum 37. (4 points)

January 7. Memorandum 39 states that LPS account has been deemed uncollectible. Using the allowance method record the write off of the balance of \$ 62.15. (4 points)

January 15. Bob Blue purchased 300 shares of \$100 par value preferred stock at \$95.00 per share. Receipt no. 71. (6 points)

January 30. LPS paid dishonored note plus interest (9%). Receipt No. 72. (6 points)

February 2. Memorandum 38 from the bond trustee reports that bond issue is retired from sinking fund, \$150,000. (4 points)

February 4. Received a delivery truck from Kortney Smith for 1,000 shares of \$10.00 par value stock. The truck has an agreed upon value of \$11,500, memorandum 39. (6 points)



GENERAL JOURNAL

Date		Account Title	Doc No.	Post Ref.	Debit					Credit									
Jan	2	Bond Sinking Fund	1372		75	0	0	0	00										
		Interest Income								3	1	8	7	50					
		Cash								71	8	1	2	50					
Jan	5	Sales Tax Payable	CM 45				1	7	29										
		Sales Returns & Allow				2	4	7	00										
		A/R-Meteor Supply									2	6	4	29					
Jan	7	A/P-Ocean Ltd.	DM 37				9	3	28										
		Purchase Returns & Allow									9	3	28						
Jan	7	Allow Uncollect Accts	M39				6	2	15										
		A/R-LPS									6	2	15						
Jan	15	Discount on Sale of Preferred Stock	R 71		1	5	0	0	00										
		Cash			28	5	0	0	00										
		Capital Stock Preferred								30	0	0	0	00					
Jan	30	Cash	R72				6	2	51										
		Interest Income												36					
		A/R-LPS									6	2	15						
Feb	2	Bonds Payable	M38		150	0	0	0	00										
		Bond Sinking Fund								150	0	0	0	00					
Feb	4	Delivery Equipment	M39		11	5	0	0	00										
		Capital Stock								10	0	0	0	00					
		Paid in Value in Excess of Par Value								1	5	0	0	00					



Problem #2

Each **highlighted** answer is worth 1 point. Blank answers should not be counted as correct unless the rest of the problem is correct. Fill in the blanks are worth 2 points.

Purchase			LIFO Method		FIFO Method	
Date	Price	Units	Units	Costs	Units	Cost
Beg Inv	2.50	350	350	875.00	0	0.00
March	2.50	265	265	662.50	140	350.00
May	2.55	125	60	153.00	125	318.75
October	2.65	235	0	0.00	235	622.75
November	2.69	175	0	0.00	175	470.75
Totals			675	1690.50	675	1762.25

Complete the chart to answer the following questions:

LIFO Total Cost **\$1,690.50 (2 points)**

FIFO Total Cost **\$1,762.25 (2 points)**

Weighted Average Total Cost **\$1731.38 or \$1,734.75 (2 points)**

$$(2.50 \times 350) + (2.50 \times 265) + (2.55 \times 125) + (2.65 \times 235) + (2.69 \times 175) / 1150 = 2.565$$

$$2.565 \times 675 = 1,731.38$$

$$2.57 \times 675 = 1,734.75$$