

# ADVANCED ACCOUNTING (02)

Sponsored by the American Institute for Certified Public Accountants.



## Regional — 2010

Multiple Choice (10 @ 2 points each)	_____	(20 pts.)
Short Answer (15 @ 4 points each)	_____	(60 pts.)
Matching (10 @ 2 points each)	_____	(20 pts.)
Comparative Balance Sheet	_____	(53 pts.)

**TOTAL POINTS** \_\_\_\_\_ **(153 points)**

**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 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 multiple choice, short answer and vocabulary matching questions should be completed first, and then the accounting problem should be completed. 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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Employees earn overtime for hours worked in excess of 40.

Use 365 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. The ratio used to reflect whether or not a company can pay its bills and repay its loans is the:
  - a. Current ratio
  - b. Repayment ratio
  - c. Debt ratio
  - d. Term ratio
  
2. The measure used to evaluate whether the company's stock market price is reasonable is:
  - a. Common stock ratio
  - b. Market price ratio
  - c. Price-earnings ratio
  - d. Stock-earnings ratio
  
3. Calculate the current ratio given current assets are \$250,000, quick assets are \$120,000, current liabilities are \$75,000 and stockholder's equity is \$375,000:
  - a. 1:3.33
  - b. 1.73:1
  - c. 1:1.73
  - d. 3.33:1
  
4. When more time is needed on an account payable, a business can issue a:
  - a. Deferment letter
  - b. Payable extension
  - c. Note payable
  - d. Explanation letter
  
5. The method that assumes a company always takes advantage of invoice discounts is the:
  - a. Net amount method
  - b. Discount method
  - c. Cash method
  - d. Allowance method
  
6. If a plant asset costs \$1,200, has accumulated depreciation of \$1,000, and is sold for \$400, the gain or loss on disposal is
  - a. \$200 gain
  - b. \$200 loss
  - c. \$1,000 gain
  - d. \$1,000 loss
  
7. Merchandise Inventory is classified on the balance sheet as a
  - a. current liability.
  - b. current asset.
  - c. long-term asset
  - d. long-term liability.

8. A special fund used to pay a bond issue when it comes due:
  - a. Sinking fund
  - b. Future fund
  - c. Bond fund
  - d. Payable fund
  
9. Green Trees' year end tax liability is \$31,750. The current balance in their Federal Corporate Income Tax Payable account is \$29,450. The adjusting entry to Federal Corporate Income Tax Expense is:
  - a. Credit of \$31,750
  - b. Debit of \$31,750
  - c. Credit of \$2,300
  - d. Debit of \$2,300
  
10. Using the percentage of net sales method, what amount of Red Brook's accounts would be deemed uncollectable if Sales were \$320,000, Sales Discounts were \$25,000, Sales Returns and Allowances were \$18,000, and average uncollectible accounts were 2%?
  - a. \$3,200.00
  - b. \$6,400.00
  - c. \$2,800.00
  - d. \$5,540.00

**Short Answer:**

1. Estaban and Brian divide Net Income or Loss on a fractional share basis of 2:3. Calculate each partner's share if Net Income was \$62,573.

Estaban	
Brian	

2. Your company purchases a new truck for \$40,000. The truck is expected to be in service for five years (or 20,000 miles per year) and has an estimated salvage value is \$3,500. Calculate the annual depreciation for the first year using the following methods.

Straight Line	
Double-Declining Balance	
Sum of Years Digits	
Units of Production	

3. Great Lakes Title issued a \$5,000, 60 day, non-interest bearing note, discounted at 12%. Calculate the amounts to be journalized in the following accounts.

Cash in Bank	
Discount on Notes Payable	
Notes Payable	

4. Use the following information to calculate the value of periodic ending inventory using the given methods:

Beginning Inventory January 1, 2010	15 units @ \$13.00
First Purchase	18 units @ \$10.75
Second Purchase	22 units @ \$11.55
Third Purchase	9 units @ \$14.05
Ending Inventory January 31, 2010	31 units

LIFO	
FIFO	
Weighted Average	

5. On January 7 of the current year, you signed a 180 day note for \$900.00 @ 13.25% interest. Calculate the maturity date of the note and the amount of interest.

Date: \_\_\_\_\_ Interest: \_\_\_\_\_

6. Jordan worked 46.25 hours last week. His hourly wage is \$8.40 and he is compensated at time and a half for overtime. Calculate Jordan's net pay.

\$ \_\_\_\_\_

**Matching Accounting Terminology:**

1. \_\_\_\_\_ The point at which total revenue equals total cost.
2. \_\_\_\_\_ The favorable reputation of a company.
3. \_\_\_\_\_ Recognition of revenue or expenses that have gradually increased over time but have not yet been recorded.
4. \_\_\_\_\_ Long lived assets that have no physical substance.
5. \_\_\_\_\_ Land, buildings, equipment and vehicles are examples of these assets.
6. \_\_\_\_\_ The balance of this account decreases the balance of its related account.
7. \_\_\_\_\_ Records and reports revenue and expenses for each department of a business.
8. \_\_\_\_\_ Account used when the petty cash box balance does not agree with the reconciled petty cash amount.
9. \_\_\_\_\_ Ratios used to evaluate the earnings performance of a business during the accounting period.
10. \_\_\_\_\_ Concept that refers to financial information from one accounting period to another or from one business to another.

- A. Intangible assets
- B. Current asset
- C. Break-even point
- D. Petty Cash adjustment
- E. Departmental accounting
- F. Contra account
- G. Profitability ratios
- H. Comparative basis
- I. Goodwill
- J. Comparability
- K. Long-term asset
- L. Cash Short and Over account
- M. Performance ratios
- N. Accrual





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## KEY

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***Judges/Graders:***

Please double-check and verify all scores!

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**Multiple Choice Questions: (Two points each)**

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

**Short Answer: (Four points each highlighted item)**

1.

Estaban	\$25,029.20
Brian	\$37,543.80

2.

Straight Line	\$7,300
Declining Balance	\$16,000
Sum of Years Digits	\$12,166.67
Units of Production	\$7,300

3.

Cash in Bank	\$4,901.37
Discount on Notes Payable	\$98.63
Notes Payable	\$5,000



4.

LIFO	<b>\$367.00</b>
FIFO	<b>\$380.55</b>
Weighted Average	<b>\$372.62</b>

5. Date: **July 6** Interest: **\$58.81**

(Note: students were advised to use 365 days to calculate interest)

6.

**\$414.75**

**Matching Accounting Terminology: (two points each)**

<b>1.</b>	<b>C</b>
<b>2.</b>	<b>I</b>
<b>3.</b>	<b>N</b>
<b>4.</b>	<b>A</b>
<b>5.</b>	<b>K</b>
<b>6.</b>	<b>F</b>
<b>7.</b>	<b>E</b>
<b>8.</b>	<b>L</b>
<b>9.</b>	<b>G</b>
<b>10.</b>	<b>J</b>

**CORRECTION:**  
None. By process of elimination student may find the answer, however, this is not in any of the textbooks used by accounting teachers.



**Comparative Balance Sheet**

TO GRADER: *Each highlighted item counts as 1 point. Please note – titles may vary. (Example may say Balance Sheet only. Third line may be Dec. 31, 2009). Do not count off for abbreviations or indents. Please note – may list 2009 in first column. Total points 53.*

Scottie Dog Groomers					1
Comparative Balance Sheet					1
December 2008 and 2009					1
	2008		2009		
	Dollars	%	Dollars	%	
<b>ASSETS</b>					
Cash	\$ 5,750	13.22%	\$ 7,280	15.30%	3
Accounts Receivable	\$ 3,890	8.94%	\$ 4,120	8.66%	3
Supplies	\$ 1,970	4.53%	\$ 1,545	3.25%	3
Prepaid Insurance	\$ 900	2.07%	\$ 875	1.84%	3
Merchandise Inventory	\$31,000	71.25%	\$33,750	70.95%	3
<b>Total Assets</b>	<b>\$43,510</b>	<b>100.00%</b>	<b>\$47,570</b>	<b>100.00%</b>	<b>5</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 7,350	16.89%	\$ 6,850	14.40%	3
Dividends Payable	\$ 2,700	6.21%	\$ 2,980	6.26%	3
Notes Payable	\$ 7,000	16.09%	\$ 6,400	13.45%	3
<b>Total Liabilities</b>	<b>\$17,050</b>	<b>39.19%</b>	<b>\$16,230</b>	<b>34.12%</b>	<b>5</b>
<b>STOCKHOLDER'S EQUITY</b>					
Common Stock	\$21,000	48.26%	\$23,000	48.35%	3
Retained Earnings	\$ 5,460	12.55%	\$ 8,340	17.53%	3
<b>Total Owner's Equity</b>	<b>\$26,460</b>	<b>60.81%</b>	<b>\$31,340</b>	<b>65.88%</b>	<b>5</b>
<b>Total Liabilities and Stockholder's Equity</b>	<b>\$43,510</b>	<b>100.00%</b>	<b>\$47,570</b>	<b>100.00%</b>	<b>5</b>
					<b>53</b>
					<b>pts</b>