

ADVANCED ACCOUNTING (110)

—Secondary—

REGIONAL – 2014

Objective & Short Answer:

Objective (30 @ 2 points each) _____ (60 points)

Short Answer _____ (22 points)

Production:

Problem 1 _____ (40 points)

Problem 2 _____ (29 points)

TOTAL POINTS _____ (***151 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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GENERAL INSTRUCTIONS

You have been hired to keep accounting records for Professional Business Associates (PBA) located at 5454 Cleveland Avenue, Columbus, OH 43231. PBA is a service business owned and operated by Nancy Wells.

You will have 90 minutes to complete your work. The test is divided into two parts. The objective questions should be completed first, and then the application jobs may be completed. The application 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 completed test.**

Round final answers to two decimal places unless instructed otherwise.

Use 360 days for calculating interest.

Good luck!

MULTIPLE CHOICE: Write the letter of the BEST choice in the blank before each question. (2 pts. each)

- _____ 1. Which of the following describes the internal control procedure "separation of duties"?
- A. Prenumbered invoices
 - B. Cashiers must not have access to accounting records
 - C. External auditors will monitor internal controls
 - D. The information system is critical
- _____ 2. Under which of the following inventory costing methods is the Cost of Goods Sold based on the cost of the oldest purchases?
- A. Average-cost
 - B. FIFO
 - C. LIFO
 - D. Specific-unit-cost
- _____ 3. A company purchased 100 units for \$20 each on January 31. It purchased 100 units for \$30 each on February 28. It sold 150 units for \$45 each from March 1 through December 31. If the company uses the FIFO inventory costing method, what is the amount of ending inventory on December 31?
- A. \$1,250
 - B. \$1,000
 - C. \$2,250
 - D. \$1,500
- _____ 4. Which of the following is a benefit of selling on credit?
- A. Revenues are increased by making sales to a wider range of customers
 - B. Cash is received sooner
 - C. Expenses are reduced by making sales easier
 - D. Some customers do not pay, creating an expense
- _____ 5. Which method of depreciation always produces the most depreciation in the first year?
- A. Sum-of-the-Years Digits
 - B. Double-declining balance
 - C. Straight-line
 - D. All produce the same
- _____ 6. Which of the following GAAP rules requires depreciation?
- A. Entity concept
 - B. Matching principle
 - C. Realization of Revenue principle
 - D. Going Concern principle
- _____ 7. Which of the following depreciation methods does NOT use a residual value in the depreciation formula?
- A. FIFO
 - B. Double-declining-balance
 - C. Units-of-production
 - D. Straight-line

- _____ 8. A merchandise inventory determined by keeping a continuous record of increases, decreases, and balance on hand is a(n)
- A. estimated inventory.
 - B. running inventory.
 - C. periodic inventory.
 - D. perpetual inventory.
- _____ 9. A list of customer accounts, balances, and total due from all customers is a
- A. Schedule of accounts payable.
 - B. Schedule of accounts receivable.
 - C. Customer ledger.
 - D. Vendor ledger.
- _____ 10. The portion of a plant asset's cost that is transferred to an expense in each fiscal period during a plant asset's life is
- A. accumulated depreciation.
 - B. plant asset expense.
 - C. depreciation.
 - D. salvage value.
- _____ 11. The amount of dividends declared during the year can be found on the
- A. Statement of stockholder's equity.
 - B. Departmental statement of dividends paid.
 - C. Income statement.
 - D. Ledger statement.
- _____ 12. Which of the following is NOT withheld from employee's pay each pay period?
- A. Federal Unemployment Tax
 - B. Federal Income Tax
 - C. Medicare Tax
 - D. Social security Tax
- _____ 13. If a company allows customers to take a 2% discount if payment is made within 30 days and the full amount is due within 45 days, the terms of sale are stated as
- A. net 45/2/30.
 - B. 2/net 45/30.
 - C. 2/30, n/45.
 - D. 2% discount, net 45.
- _____ 14. The source document for a service charge found on a bank statement is
- A. an invoice.
 - B. a memorandum.
 - C. a check.
 - D. a charge slip.
- _____ 15. Total earnings minus total deductions equals
- A. benefit pay.
 - B. overtime earnings.
 - C. net pay.
 - D. withholding allowances.

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MATCHING--Match the term to the correct explanation by inserting the letter next to the corresponding number. (2 pts. each)

- | | |
|----------------------------|----------------------------|
| A. general journal | I. petty cash |
| B. double-entry accounting | J. restrictive endorsement |
| C. subsidiary ledger | K. owner's equity |
| D. account | L. capital |
| E. merchandiser | M. markup |
| F. current liabilities | N. financial statements |
| G. EFT | O. component percentage |
| H. POS terminal | |

- _____ 16. The account used to summarize the owner's equity in a business.
- _____ 17. A computer used to collect, store, and report all the information of a sales transaction.
- _____ 18. Specifically limits further transfer of a check's ownership.
- _____ 19. A record summarizing all the information pertaining to a single item in the accounting equation.
- _____ 20. Amounts owed by a business within one year.
- _____ 21. A journal that contains all transactions needed to prepare financial statements.
- _____ 22. Accounts Receivable or Payable accounts summarized in a single general ledger account.
- _____ 23. The recording of debit and credit parts of a transaction.
- _____ 24. The amount remaining after the value of all liabilities is subtracted from the value of all assets.
- _____ 25. Shows the relationship between one fiscal statement item and the total that includes that item.
- _____ 26. Reports that summarize the financial conditions and operations of a business.
- _____ 27. An amount of cash kept on hand and used for making small payments.
- _____ 28. The amount added to the cost of merchandise to establish the selling price.
- _____ 29. A business that purchases and sells goods.
- _____ 30. A system that transfers funds without the use of checks, currency, or other paper documents.

SHORT ANSWER (22 pts.)

1. Brown Corporation uses a periodic inventory system. The following data was taken from Brown Corporation's inventory data for 2013:

Beginning Inventory 1/1	1,000 units @ \$14 each
1st Purchase	1,000 units @ \$15 each
2nd Purchase	1,000 units @ \$17 each
Ending Inventory 12/31	1,200 units
Market Price 12/31	\$15 per unit

What is the cost of ending inventory using LIFO? (2 pts.) _____

What is the cost of ending inventory using FIFO? (2 pts.) _____

What is the weighted-average unit cost? (2 pts.) _____

What is the cost of ending inventory using weighted-average? (2 pts.) _____

2. Global Tek purchased equipment on January 1, 2012, for \$36,000. Global Tek expected the equipment to last four years and have a salvage value of \$4,000. Suppose Global Tek sold the equipment for \$26,000 on December 31, 2013, after using it for two full years. Assume all depreciation has been recorded.

Journalize the sale of the equipment, assuming straight-line depreciation was used.

Accounts	Debit	Credit	
			(2 pts.)
			(2 pts.)
			(2 pts.)
			(2 pts.)

3. A U.S. Tran jet costs \$36,000,000 and is expected to fly 360,000,000 miles during its 8-year life. Salvage value is expected to be zero because the plane was used when acquired. If the plane travels 34,000,000 miles the first year, how much depreciation should U.S. Tran record under the units-of-production method? (Round the depreciation rate to two decimal places.)

_____ (3 pts.)

4. A company received a bank statement with a balance of \$5,350. Reconciling items included a bookkeeper error of \$200 (a \$300 check recorded as \$500), two outstanding checks totaling \$720, a service charge of \$15, a deposit in transit of \$180, and interest revenue of \$21.

What is the adjusted bank balance on the reconciliation? _____ (3 pts.)

PROBLEM #1 (40 total points)

Your company purchases a machine that costs \$30,000, has a residual value of \$2,000, and an estimated useful life of 4 years. Complete the depreciation table below.

Year	Straight-Line	Double-Declining Balance	Sum-of-Year-Digits	
1				(3 pts.)
2				(3 pts.)
3				(3 pts.)
4				(3 pts.)
Totals				(3 pts.)
Ending Value				(3 pts.)

Journalize the following plant asset transactions in the general journal spaces provided. Assume all plant assets are kept track of using the account: Equipment.

2-Jan Received cash from sale of a table, \$140; original cost, \$600; total accumulated depreciation through 12/31 of last year, \$420. Receipt 20.

Accounts	Debit	Credit	
			(2 pts.)
			(2 pts.)
			(2 pts.)
			(2 pts.)

4-Jan Assume the machine at the start of the problem has been depreciated down to a residual value of \$2,000. You are going to discard this machine as it has broken down and is unusable. Memo 62.

Accounts	Debit	Credit	
			(2 pts.)
			(2 pts.)
			(2 pts.)

6-Jan Paid cash, \$5,800, plus traded an old piece of equipment for a new/updated piece of equipment. Original cost of old equipment, \$7,000; total accumulated depreciation of old equipment, \$5,400. Check 522.

Accounts	Debit	Credit	
			(2 pts.)
			(2 pts.)
			(2 pts.)
			(2 pts.)

PROBLEM #2 (29 Points)

The following information is taken from the records of Clemente Company as of December 31, 2013. Clemente Company uses the Allowance method to account for its uncollectible accounts. Complete the aging table below by filling in the Totals and Uncollectible rows. (1 point each)

Customer	Account Balance	Not Yet Due	1-30 days past due	31-60 days past due	61-90 days past due	Over 90 days past due
Billy Beru	125.75	125.75				
Max Ames	423.67		423.67			
Lisa Carr	389.60	389.60				
Gena Johnson	765.28				765.28	
Liza Scott	157.80					157.80
Kate Holden	268.20			268.20		
Bob Allen	658.15			658.15		
Totals						
Percentages		0.2%	0.5%	1.0%	5.0%	60.0%
Uncollectible						

Use the above table to calculate the following:

Total Accounts Receivable Balance _____ (3 pts.)

Total Amount of Estimated Uncollectible _____ (3 pts.)

The current balance of Allowance for Uncollectible Accounts shows a debit of \$85.35. Record the appropriate adjusting entry for Uncollectible Accounts Expense below:

Account Debited _____ (3 pts.) Amount _____ (3 pts.)

Account Credited _____ (3 pts.) Amount _____ (3 pts.)



ADVANCED ACCOUNTING (110)

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Objective & Short Answer:

Objective (30 @ 2 points each) _____ (60 points)

Short Answer _____ (22 points)

Production:

Problem 1 _____ (40 points)

Problem 2 _____ (29 points)

TOTAL POINTS _____ (*151 points*)

**Judges/Graders: Please double check and verify all
scores and answer keys!**

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MULTIPLE CHOICE: (2 pts. each)

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

MATCHING: (2 pts. each)

16. L
17. H
18. J
19. D
20. F
21. A
22. C
23. B
24. K
25. O
26. N
27. I
28. M
29. E
30. G

SHORT ANSWER (22 pts.)

1. What is the cost of ending inventory using LIFO? \$17,000 (2 pts.)
 What is the cost of ending inventory using FIFO? \$20,000 (2 pts.)
 What is the weighted-average unit cost? \$15.33 (2 pts.)
 What is the cost of ending inventory using weighted-average? \$18,396 (2 pts.)

2. Journalize the sale of the equipment, assuming straight-line depreciation was used.

Accounts	Debit	Credit	
Cash	26,000		(2 pts.)
Accumulated Depreciation	16,000		(2 pts.)
Equipment		36,000	(2 pts.)
Gain on Asset		6,000	(2 pts.)

3. \$3,400,000 (3 pts.)
4. \$4,810 (3 pts.)



PROBLEM #1 (40 total points)

Your company purchases a machine that costs \$30,000, has a residual value of \$2,000, and an estimated useful life of 4 years. Complete the depreciation table below.

Year	Straight-Line	Double-Declining Balance	Sum-of-Year-Digits	
1	7,000	15,000	11,200	(3 pts.)
2	7,000	7,500	8,400	(3 pts.)
3	7,000	3,750	5,600	(3 pts.)
4	7,000	1,750	2,800	(3 pts.)
Totals	28,000	28,000	28,000	(3 pts.)
Ending Value	2,000	2,000	2,000	(3 pts.)

Journalize the following plant asset transactions in the general journal spaces provided.

Assume all plant assets are kept track of using the account: Equipment.

2-Jan Received cash from sale of a table, \$140; original cost, \$600; total accumulated depreciation through 12/31 of last year, \$420. Receipt 20.

Accounts	Debit	Credit	
Cash	140		(2 pts.)
Accum Deprec – Equipment	420		(2 pts.)
Loss on Plant Assets	40		(2 pts.)
Equipment		600	(2 pts.)

4-Jan Assume the machine at the start of the problem has been depreciated down to a residual value of \$2,000. You are going to discard this machine as it has broken down and is unusable. Memo 62.

Accounts	Debit	Credit	
Accum Deprec - Equipment	28,000		(2 pts.)
Loss on Plant Assets	2,000		(2 pts.)
Equipment		30,000	(2 pts.)

6-Jan Paid cash, \$5,800, plus traded an old piece of equipment for a new/updated piece of equipment. Original cost of old equipment, \$7,000; total accumulated depreciation of old equipment, \$5,400. Check 522.

Accounts	Debit	Credit	
Equipment	7,400		(2 pts.)
Accum Deprec - Equipment	5,400		(2 pts.)
Equipment		7,000	(2 pts.)
Cash		5,800	(2 pts.)



PROBLEM #2 (29 Points)

The following information is taken from the records of Clemente Company as of December 31, 2013. Clemente Company uses the Allowance method to account for its uncollectible accounts. Complete the aging table below by filling in the Totals and Uncollectible rows. (1 point each)

Customer	Account Balance	Not Yet Due	1-30 days past due	31-60 days past due	61-90 days past due	Over 90 days past due
Billy Beru	125.75	125.75				
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Gena Johnson	765.28				765.28	
Liza Scott	157.80					157.80
Kate Holden	268.20			268.20		
Bob Allen	658.15			658.15		
Totals	2,788.45	515.35	423.67	926.35	765.28	157.80
Percentages		0.2%	0.5%	1.0%	5.0%	60.0%
Uncollectible		1.03	2.12	9.26	38.26	94.68

Use the above table to calculate the following:

Total Accounts Receivable Balance \$2,788.45 (3 pts.)

Total Amount of Estimated Uncollectible \$145.35 (3 pts.)

The current balance of Allowance for Uncollectible Accounts shows a debit of \$85.35. Record the appropriate adjusting entry for Uncollectible Accounts Expense below:

Account Debited Uncollectible Accounts Expense (3 pts.) Amount \$230.70 (3 pts.)

Account Credited Allowance for Uncollectible Accounts (3 pts.) Amount \$230.70 (3 pts.)

Note to Grader – Give 1 point for each item in Totals row on Aging table, plus 1 point for each item on Uncollectibles row, total 11 points. Also give 3 points each for short answer question, total 18 points. Problem total = 29 points.