

# ADVANCED ACCOUNTING (110)

—Secondary—

## REGIONAL – 2015

**Objective & Short Answer:**

Multiple Choice (20 @ 2 points each) \_\_\_\_\_ (40 points)

Short Answer (14 @ 3 points each) \_\_\_\_\_ (42 points)

**Production:**

Problem 1 – Depreciation \_\_\_\_\_ (18 points)

Problem 2 – Notes and Interest \_\_\_\_\_ (18 points)

Problem 3 – Uncollectible Accounts \_\_\_\_\_ (24 points)

Problem 4 – Post-Closing Trial Balance \_\_\_\_\_ (18 points)

**TOTAL POINTS** \_\_\_\_\_ (*160 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 as a Financial Assistant to keep the accounting records for Professional Business Associates, which is 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' accounting records, as well as for the company's clients.

You will have 90 minutes to complete your work. The test consists of multiple sections; you may complete them in any order.

Your name and/or school name must 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!

### **Assumptions to make when taking this assessment:**

- Round calculations to two decimal places unless instructed otherwise.
- Use 360 days for calculating interest.

### Multiple Choice Questions

Choose the best answer for each of the following questions. Record your selections on the Scantron form provided.

1. In the United States, the rules that govern accounting are called
  - a. Financial Accounting Standards.
  - b. Generally Accepted Accounting Principles.
  - c. Global Accounting Standards.
  - d. International Financial Reporting Standards.
  
2. When goods or services are delivered to customers, the amounts received are called
  - a. equity.
  - b. unearned revenues.
  - c. revenues.
  - d. accounts receivable.
  
3. An intangible asset
  - a. derives its value from the rights and privileges it provides the owner.
  - b. is worthless because it has no physical substance.
  - c. is converted into a tangible asset during the operating cycle.
  - d. cannot be classified on the balance sheet because it lacks physical substance.
  
4. Elza Co. has liabilities of \$150,000 and assets of \$220,000. What are total equities?
  - a. \$70,000
  - b. \$370,000
  - c. \$300,000
  - d. \$10,000
  
5. Which of the following accounts would a merchandiser have but not a service company?
  - a. Salaries Expense
  - b. Supplies Inventory
  - c. Cost of Goods Sold
  - d. Depreciation Expense
  
6. Inventory is
  - a. raw materials that are used for production.
  - b. the cost of goods sold.
  - c. equipment that is used in the production process.
  - d. goods held for sale to customers.

7. Internal control provides which of the following benefits?
  - a. It promotes operational efficiency
  - b. It ensures that financial statements are produced timely
  - c. It ensures timely collection of Accounts Receivable
  - d. It guarantees that a business makes a profit
  
8. Plant assets have which of the following characteristics?
  - a. It is used in the operations of a business
  - b. It will have a negligible value at the end of its useful life
  - c. It has a short useful life
  - d. It is available for sale to customers in the ordinary course of business
  
9. Companies have formal written policies establishing ethical behavior that is expected of employees. These policies are called
  - a. Healthy Climate Handout
  - b. Vision Statement
  - c. Code of Conduct
  - d. Ethical dilemma
  
10. Retained Earnings is
  - a. the stockholders' claim on total assets.
  - b. equal to cash.
  - c. equal to revenues.
  - d. the amount of net income, minus equity disbursements, kept in the corporation for future use.
  
11. When doing a physical inventory count, which of the following should NOT be included?
  - a. Goods held on consignment from another company
  - b. Goods in transit from another company that are shipped FOB shipping point
  - c. Goods shipped on consignment to another company
  - d. All of the above should be included
  
12. \_\_\_\_\_ requires businesses to record depreciation.
  - a. The cost principle
  - b. The matching principle
  - c. The revenue recognition principle
  - d. The going concern principle
  
13. All plant assets *except* \_\_\_\_\_ are depreciated.
  - a. building
  - b. land
  - c. land improvements
  - d. delivery equipment

14. When a partner invests assets other than cash in a new partnership, what value is recorded for the assets?
  - a. purchase price of the assets
  - b. a value agreed upon by the partners
  - c. market value of the assets
  - d. replacement costs for the assets
  
15. How much will the borrower pay at maturity of a note payable?
  - a. The principal amount only
  - b. The principal minus interest
  - c. The interest amount only
  - d. The principal plus interest
  
16. A business organized as a corporation
  - a. is not a separate legal entity in most states.
  - b. requires that stockholders be personally liable for the debts of the business.
  - c. is owned by its stockholders.
  - d. has tax advantages over a proprietorship or partnership.
  
17. Outstanding stock refers to the
  - a. shares of stock that are held by the stockholders.
  - b. shares of stock that are sold for the highest price.
  - c. total amount of stock that has not been sold yet.
  - d. total amount of stock that has been authorized by state law.
  
18. Which of the following is an advantage of the corporate form of business?
  - a. Low start-up costs
  - b. Less degree of government regulation
  - c. Separation of ownership and management
  - d. Limited liability of stockholders
  
19. Under the direct write-off method of accounting for uncollectible accounts
  - a. the allowance account is increased for the amount of bad debt at the write-off.
  - b. a specific account receivable is decreased for the actual amount of bad debt at the time of write-off.
  - c. balance sheet relationships are emphasized.
  - d. bad debt expense is always recorded in the period in which the revenue was recorded.
  
20. A(n) \_\_\_\_\_ is the right to receive payment in the future from a current customer
  - a. Accounts Payable
  - b. Accounts Receivable
  - c. Common Stock
  - d. Prepaid Expense

**Short Answer (42 points)**

For each account, identify whether the account is an asset, liability, revenue, expense, or owners' equity item, identify whether the account will appear on the income statement or balance sheet, and identify the normal balance of the account.

<b>Account</b>	<b>Asset, Liability, Revenue, Expense or Owners' Equity</b>	<b>Income Statement or Balance Sheet</b>	<b>Normal Balance – Debit or Credit</b>
Notes Receivable			
Common Stock			
Prepaid Insurance			
Notes Payable			
Sales			
Rent Expense			
Furniture			
Inventory			
Unearned Revenue			
Land			
Depreciation Expense			
Accumulated Depreciation			
Goodwill			
Retained Earnings			

**Problem 1 (18 points – Each answer worth 2 points)**

Equipment was acquired on January 5, 2014 at a cost of \$88,000. The useful life of the equipment is 5 years, at which time it is expected to be worth \$6,000. Compute the depreciation for the years ended December 31, 2014, 2015 and 2016 under each of the following depreciation methods.

Depreciation Method	12/31/14	12/31/15	12/31/16
Straight Line			
Double Declining Balance			
Sum of the Years Digits			

**Problem 2 (18 points)**

Calculate the amount of interest and due date for each of the following notes receivable.

Note	Date		Interest	Due Date
1	Feb. 28, 2014	\$80,000 10% 90 days		
2	Mar. 4, 2014	\$120,500 6.5% 120 days		
3	Aug. 20, 2014	\$55,000 8% 60 days		
4	Nov. 23, 2014	\$50,000 5¾% 90 days		
5	Dec. 18, 2014	\$12,500 7¼% 45 days		

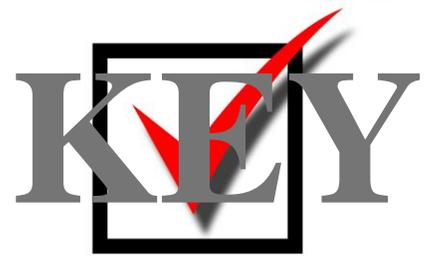
Notes 4 and 5 will cross over the year end of December 31, 2014. Record a separate adjusting entry for each note to accrue the interest income at year end.

**General Journal**

Date	Description	Post Ref	Debit	Credit







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Multiple Choice (20 @ 2 points each)	_____	(40 points)
Short Answer (14 @ 3 points each)	_____	(42 points)

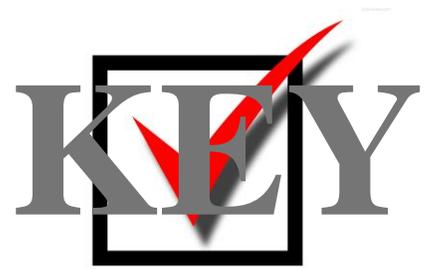
**Production:**

Problem 1 - Depreciation	_____	(18 points)
Problem 2 – Notes and Interest	_____	(18 points)
Problem 3 – Uncollectible Accounts	_____	(24 points)
Problem 4 – Post-Closing Trial Balance	_____	(18 points)

***TOTAL POINTS*** \_\_\_\_\_ ***(160 points)***

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

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**Multiple Choice Questions**

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

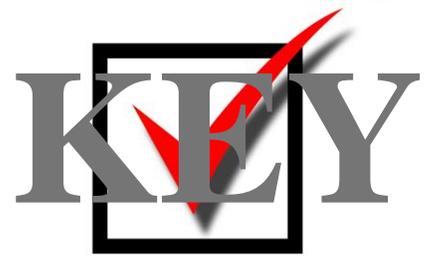


**Short Answer (42 Points)**

For each account, identify whether the account is an asset, liability, revenue, expense, or owners' equity item, identify whether the account will appear on the income statement or balance sheet, and identify the normal balance of the account.

**Grader: Each answer is worth 1 point – 42 Total**

Account	Asset, Liability, Revenue, Expense or Owners' Equity	Income Statement or Balance Sheet	Normal Balance – Debit or Credit
Notes Receivable	<b>Asset</b>	<b>Balance Sheet</b>	<b>Debit</b>
Common Stock	<b>Owners' Equity</b>	<b>Balance Sheet</b>	<b>Credit</b>
Prepaid Insurance	<b>Asset</b>	<b>Balance Sheet</b>	<b>Debit</b>
Notes Payable	<b>Liability</b>	<b>Balance Sheet</b>	<b>Credit</b>
Sales	<b>Revenue</b>	<b>Income Statement</b>	<b>Credit</b>
Rent Expense	<b>Expense</b>	<b>Income Statement</b>	<b>Debit</b>
Furniture	<b>Asset</b>	<b>Balance Sheet</b>	<b>Debit</b>
Inventory	<b>Asset</b>	<b>Balance Sheet</b>	<b>Debit</b>
Unearned Revenue	<b>Liability</b>	<b>Balance Sheet</b>	<b>Credit</b>
Land	<b>Asset</b>	<b>Balance Sheet</b>	<b>Debit</b>
Depreciation Expense	<b>Expense</b>	<b>Income Statement</b>	<b>Debit</b>
Accumulated Depreciation	<b>Asset</b>	<b>Balance Sheet</b>	<b>Credit</b>
Goodwill	<b>Asset</b>	<b>Balance Sheet</b>	<b>Debit</b>
Retained Earnings	<b>Owners' Equity</b>	<b>Balance Sheet</b>	<b>Credit</b>



**Problem 1 (18 points)**

**Grader – Each answer worth 2 points**

Depreciation Method	12/31/14	12/31/15	12/31/16
Straight Line Depreciation	<b>\$16,400.00</b>	<b>\$16,400.00</b>	<b>\$16,400.00</b>
Double Declining Balance	<b>\$35,200.00</b>	<b>\$21,120.00</b>	<b>\$12,672.00</b>
Sum of the Years Digits	<b>\$27,333.33</b>	<b>\$21,866.67</b>	<b>\$16,400.00</b>

**Problem 2 (18 points)**

**Grader – 1 point each for this table – 10 points**

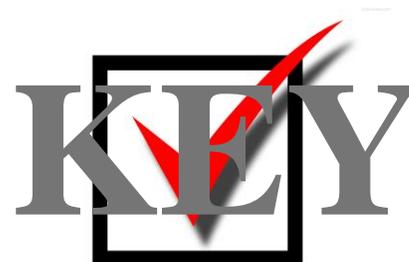
Note	Date		Interest	Due Date
1	Feb. 28, 2014	\$80,000 10% 90 days	<b>\$2,000.00</b>	<b>May 29, 2014</b>
2	Mar. 4, 2014	\$120,500 6.5% 120 days	<b>\$2,610.83</b>	<b>July 2, 2014</b>
3	Aug. 20, 2014	\$55,000 8% 60 days	<b>\$733.33</b>	<b>Oct 19, 2014</b>
4	Nov. 23, 2014	\$50,000 5¾% 90 days	<b>\$718.75</b>	<b>Feb 21, 2015</b>
5	Dec. 18, 2014	\$12,500 7¼% 45 days	<b>\$113.28</b>	<b>Feb 1, 2015</b>

**Grader – 1 point for each correct account and one point for each correct amount – 8 points**  
**General Journal**

Page 1

Date	Description	Post Ref	Debit	Credit
Dec 31	<b>Interest Receivable</b>		<b>\$303.47</b>	
	<b>Interest Income</b>			<b>\$303.47</b>
Dec 31	<b>Interest Receivable</b>		<b>\$32.73</b>	
	<b>Interest Income</b>			<b>\$32.73</b>





**Problem 4 - Post-Closing Trial Balance (18 points)**

**Grader - Each line on title and statement worth 1 point. Must have account title and debit/credit amount correct. Must be in Asset, Liability, Owner's Equity order. Please note – do not count incorrect for abbreviations or order of accounts within classification of assets or liabilities. Total 18 Points.**

**Barnacle Company  
 Post-Closing Trial Balance  
 June 30, 2015**

	Debit	Credit
Cash	\$ 17,800	
Accounts Receivable	42,000	
Allowance for Uncollectibles		\$ 1,800
Supplies	900	
Prepaid Insurance	1,800	
Land	20,000	
Equipment	40,000	
Accumulated Depreciation		10,000
Patent	30,000	
Accounts Payable		37,500
Wages Payable		3,000
Sales Tax Payable		2,700
Unearned Revenue		4,500
LL Sloan, Capital	_____	<u>93,000</u>
<b>Totals</b>	<u><b>\$152,500</b></u>	<u><b>\$152,500</b></u>