

Contestant Number: \_\_\_\_\_

Time: \_\_\_\_\_

Rank: \_\_\_\_\_



# ADVANCED ACCOUNTING (110)

## REGIONAL 2023

### CONCEPT KNOWLEDGE:

Multiple Choice (25 @ 2 points each) \_\_\_\_\_ (50 points)

### APPLICATION KNOWLEDGE:

Account Identification (10 @ 3 points each) \_\_\_\_\_ (30 points)

Short Answer (13 @ 3 points each) \_\_\_\_\_ (39 points)

Job 1 – Depreciation \_\_\_\_\_ (36 points)

Job 2 – Net Income Effects \_\_\_\_\_ (40 points)

***TOTAL POINTS*** \_\_\_\_\_ ***(195 points)***

**Test Time: 90 minutes**

**GENERAL GUIDELINES:**

*Failure to adhere to any of the following rules will result in disqualification:*

1. Member must hand in this test booklet and all printouts if any. 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 (handwritten, photocopied, or keyed) are allowed in the testing area.
3. Electronic devices will be monitored according to ACT standards.

**EXAM GUIDELINES:**

You have been hired as a Financial Assistant and will be keeping the accounting records for Digital Solutions, located at 700 Morse Road, Suite 201, Columbus, Ohio 43214. Digital Solutions provides accounting and other financial services for clients. You will complete jobs for Digital Solutions' own accounting records, as well as for clients.

You will have 90 minutes to complete your work. The test is divided into two parts: concept knowledge and application knowledge.

Your name and/or school name should *not* appear on any work you submit for grading. Write your Member ID in the provided space. Staple all pages in order before you turn in your test.

Assumptions to make when taking this assessment:

- Round all calculations to two decimals at the final step.
- Round all percentages to one decimal place.
- Use 360 days for interest calculations.

**Multiple Choice Questions**

*Directions:* Identify the letter of the choice that best completes the statement or answers the question.

1. When using the allowance method, how does writing off a past-due account affect the Total Assets and Net Income of the business?
  - A. Decreases Total Asset, no effect on Net Income
  - B. Decreases Net Income, no effect on Total Assets
  - C. Decreases Total Assets and Net Income
  - D. Has no effect on either Total Assets nor Net Income
  
2. At the end of the fiscal period, revenue that has been earned but not yet collected should be credited to a(n) \_\_\_\_\_ account.
  - A. asset
  - B. liability
  - C. expense
  - D. revenue
  
3. Which of the following is a permanent account?
  - A. Unearned Rent
  - B. Depreciation Expense
  - C. Rent Revenue
  - D. Cash Short and Over
  
4. What section of the Statement of Cash Flows would you find issuing common stock?
  - A. Operating
  - B. Investing
  - C. Financing
  - D. Stockholders' Equity
  
5. Beginning Inventory plus Net Purchases minus Ending Inventory equals \_\_\_\_\_.
  - A. Cost of Goods Sold
  - B. Merchandise Available for Sale
  - C. Gross Profit
  - D. Total Current Assets
  
6. The corporate form of business ownership provides what advantage to the owner(s)?
  - A. Easiest type of business to start
  - B. Limited liability
  - C. Little government regulation
  - D. Management of the business

7. What account is debited on the adjusting entry for interest on a note receivable?
  - A. Interest Expense
  - B. Interest Revenue
  - C. Interest Payable
  - D. Interest Receivable
  
8. What type of expense is paid in one fiscal period but not reported as an expense until a later fiscal period?
  - A. Installment
  - B. Accrued
  - C. Prepaid
  - D. Postpaid
  
9. In what section of the Balance Sheet would you find the account Prepaid Rent?
  - A. Current Liability
  - B. Long-Term Liability
  - C. Current Asset
  - D. Plant Asset
  
10. When performing closing entries, which would be true if the business has a net loss?
  - A. Credit to Retained Earnings
  - B. Debit to Retained Earnings
  - C. Credit to Common Stock
  - D. Debit to Common Stock
  
11. Which financial statement most accurately represents the financial strength of a company?
  - A. Statement of Stockholders' Equity
  - B. Schedule of Accounts Receivable
  - C. Balance Sheet
  - D. Income Statement
  
12. The Distribution of Net Income Statement is unique to what type of business?
  - A. Sole Proprietorship
  - B. Partnership
  - C. LLC
  - D. Corporation
  
13. Which transaction would increase Stockholders' Equity?
  - A. Purchasing merchandise on account
  - B. Selling merchandise on account
  - C. Paying on an Accounts Payable
  - D. Collecting an Accounts Receivable

14. Using the Straight-line method of depreciation each year is an example of the \_\_\_\_\_ accounting concept.
- A. Historical Cost
  - B. Business Entity
  - C. Realization of Revenue
  - D. Consistent Reporting
15. What account is debited in the adjusting entry for Unearned Rent?
- A. Rent Receivable
  - B. Rent Revenue
  - C. Unearned Rent
  - D. Prepaid Rent
16. What is the effect on Retained Earnings if Dividends are greater than Net Income during a period?
- A. Decrease
  - B. Increase
  - C. There will be no effect on Retained Earnings.
  - D. You need to know Common Stock to answer.
17. What advantage does preferred stock give investors over common stock?
- A. Voting rights
  - B. First right to dividends
  - C. Lower par value
  - D. Management rights
18. Which of the following transactions will decrease total assets?
- A. Paying cash on account
  - B. Receiving cash on account
  - C. Selling merchandise on account
  - D. Receiving cash up front for three months of rent
19. The amount paid on the maturity date of a note is known as the \_\_\_\_\_.
- A. interest
  - B. maturity value
  - C. principal
  - D. cost

20. The amount of supplies used during the period will be reflected in what account after adjusting entries are posted?
- A. Supplies
  - B. Retained Earnings
  - C. Prepaid Supplies
  - D. Supplies Expense
21. Collecting cash from a prior sale of merchandise is shown in what section of the Statement of Cash Flows?
- A. Noncash
  - B. Operating
  - C. Investing
  - D. Financing
22. If you buy a plant asset during 2023, which depreciation method will typically result in the highest amount of depreciation taken for 2023?
- A. Straight-Line
  - B. Sum-of-the-Year's-Digits
  - C. Double-Declining Balance
  - D. Units of Production
23. Who authorizes the payment of a dividend in a corporation?
- A. CEO
  - B. CFO
  - C. Owners
  - D. Board of Directors
24. Which ratio shows the ability of a business to pay off its debt in the next year?
- A. Current ratio
  - B. Debt to equity ratio
  - C. Earnings per share
  - D. Return on assets
25. Dutton Inc. has an accounts receivable turnover ratio of 8.5. What is the average number of days for payment?
- A. 41
  - B. 43
  - C. 46
  - D. 49

**Account Identification – 30 points**

Directions - For each account, identify the classification (Asset, Liability, Stockholders' Equity, Revenue, Cost of Merchandise, Expense) the Financial Statement(s) the account appears on (Income Statement, Statement of Stockholders' Equity, or Balance Sheet, put more than one where applicable), and the normal balance of the account. (1 point each)

Account	Classification (A, L, SE, R, CM, E)	Financial Statement (IS, SOSE, BS, None)	Normal Balance (Dr, Cr, None)
Sales Returns			
Allowance for Doubtful Accounts			
Income Tax Payable			
Purchases			
Income Summary			
Retained Earnings			
Prepaid Rent			
Insurance Expense			
Dividends			
Fees			

**Short Answer Problems – 3 points each; 39 Total points**

1. Goldschmidt Consulting accepted a 90-day, 4.5% note from a customer on November 10<sup>th</sup>, 2022. The note was for a \$2,350 outstanding balance.

- a. How much interest will Goldschmidt Consulting earn in 2022? \_\_\_\_\_
- b. How much interest will Goldschmidt Consulting earn in 2023? \_\_\_\_\_
- c. What is the maturity value of the note? \_\_\_\_\_
- d. What is the maturity date of the notes? \_\_\_\_\_

2. Arenado and Associates uses the Allowance Method to estimate uncollectible accounts. On December 31<sup>st</sup>, an analysis of Accounts Receivable showed the following balances. The percentages are used as estimates of uncollectible accounts. The current balance of Allowance for Doubtful Accounts shows a debit balance of \$516.

Estimated Uncollectible Percentages and Balances:

Not yet due – 0.2%	\$30,150
1-30 days past due – 0.5%	\$4,815
31-60 days past due – 1.5%	\$2,018
61-90 days past due – 4.0%	\$825
➤ 90 days past due – 20.0%	\$1,290

- a. What is the total Accounts Receivable balance? \_\_\_\_\_
  - b. What is the total estimated uncollectible accounts? \_\_\_\_\_
  - c. What amount will be used for the adjusting entry? \_\_\_\_\_
  - d. What account is debited for the adjusting entry? \_\_\_\_\_
  - e. What account is credited for the adjusting entry? \_\_\_\_\_
3. Use your knowledge of financial statements to solve the following problems.
- a. Assets = \$35,512; Stockholder’s Equity = \$29,895.

Total Liabilities = \_\_\_\_\_

- b. Liabilities = \$94,230; Retained Earnings = \$142,653; Capital Stock = \$100,000; Dividends = \$25,000; Current Assets = \$275,514; Equipment = \$52,430

Accumulated Depreciation on Equipment = \_\_\_\_\_

- c. Net Sales = \$769,450; Beginning Merchandise Inventory = \$175,824; Ending Merchandise Inventory = \$204,638; Net Purchases = \$430,630

Gross Profit = \_\_\_\_\_

- d. Capital Stock, \$5 par value; Beginning balance – 50,000 shares; Issued during the year – 10,000 shares at par  
 Beginning Retained Earnings \$270,460; Net income for the year, 64,210;  
 Dividends declared, \$50,000  
 Total Liabilities = \$136,960

Total Assets = \_\_\_\_\_

**Job 1 – Depreciation** – 1 point each on the table, 2 points each per question; 36 Total points

**Directions:** Use the following information to complete a depreciation table for both the straight line and double-declining balance methods of depreciation. Then answer the questions that follow.

Bader Bottling Co. buys a piece of equipment on October 2<sup>nd</sup>, 2023 for \$13,600. The equipment has a four-year life, at which time the expected salvage value is \$1,200.

	Straight Line			Double-declining Balance		
	Annual Depreciation	Accumulated Depreciation	Ending Book Value	Annual Depreciation	Accumulated Depreciation	Ending Book Value
2023						
2024						
2025						
2026						
2027						

1. What is the book value on the 2023 Balance Sheet for the equipment, assuming the straight-line method?

Book Value \_\_\_\_\_

2. If the equipment was sold on December 31, 2026 for \$4,200, how much of a gain would you recognize, assuming the double-declining balance method?

\$ Gain \_\_\_\_\_

3. If the company keeps the equipment through 2028, what will the balance of the Equipment account be, assuming this is the only piece of equipment?

Equipment Account Balance \_\_\_\_\_

**Job 2 – Effects on the Income Statement – 40 Total Points**

During 2023 Albert Pujols started Pujols Pet Care, a sole proprietorship. Pujols Pet Care offers basic grooming services for dogs and also sells several products for pets, including food, toys, blankets, etc. Certain customers are allowed credit sales, with terms of 2/10, n/30. Selected transactions during November and December 2023 for Pujols Pet Care are shown below.

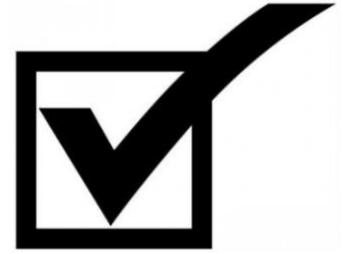
Directions: Analyze each transaction and its effect on the Income Statement **for the year ended December 31<sup>st</sup>, 2023**. Determine whether the effect is an increase to net income, a decrease to net income, or has no effect on net income for the year 2023. Then identify the amount of the increase or decrease for 2023. If no effect, enter zero for the amount.

1. November 1 – Alejandro Pujols, owner, invested \$25,000 into the business.
2. November 1 – Paid cash upfront for three months worth of rent, \$1,500.
3. November 1 – Purchased a 6-month insurance policy from Molina Insurance Agency for \$1,500.
4. November 5 – Bought supplies worth \$1,800 on account, 2/10, n/30. As of December 31<sup>st</sup>, \$275 worth of supplies remained on hand.
5. November 7 – Received cash for grooming services totaling \$1,650.
6. November 11 – Performed grooming services worth \$250 for Robert Acuna on account.
7. November 15 – Sold goods to customers for cash and credit cards worth \$714. Cost of the goods totaled \$389.
8. November 19 – Received cash from Robert Acuna for November 11<sup>th</sup> services.
9. November 21 – Paid what was owed from November 5<sup>th</sup> transaction.
10. November 26 – Paid cash for merchandise purchased from Pet Supply Co. for \$2,000.
11. December 1 – Paid \$1,200 for a 3-month advertising contract with local radio station.
12. December 1 – Alejandro Pujols signed a promissory note on behalf of Pujols Pet Care for \$8,000. The note has terms of 120 days and 4%.
13. December 3 – Wrote a check to Alejandro Pujols, owner, for a \$2,000 withdrawal.
14. December 5 – Bought equipment for \$3,000. The equipment is expected to be used for four years, with a salvage value of \$600. The company uses straight-line depreciation.
15. December 15 – Paid cash to various governments for November income tax liability, \$3,430.
16. December 18 – Received \$550 cash for the sale of goods to customers. The goods cost \$285.
17. December 19 – Paid cash for electric bill, \$310.
18. December 28 – Purchased goods for \$3,600. The goods will not be sold until 2024.
19. December 29 – Received bank statement, showing three checks outstanding, totaling \$4,250. Pujols Pet Care was charged \$20 in various bank fees for the month.
20. December 30 – Bought equipment worth \$4,500. The equipment will be used for 5 years, at which time the expected salvage value will be \$800.

Transaction Number	Effect on Net Income Increase, Decrease, None	Amount of Effect
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		



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# ADVANCED ACCOUNTING (110)

## REGIONAL 2023

### CONCEPT KNOWLEDGE:

Multiple Choice (25 @ 2 points each) \_\_\_\_\_ (50 points)

### APPLICATION KNOWLEDGE:

Account Identification (10 @ 3 points each) \_\_\_\_\_ (30 points)

Short Answer (13 @ 3 points each) \_\_\_\_\_ (39 points)

Job 1 – Depreciation \_\_\_\_\_ (36 points)

Job 2 – Net Income Effects \_\_\_\_\_ (40 points)

***TOTAL POINTS*** \_\_\_\_\_ ***(195 points)***

**Test Time: 90 minutes**

**GENERAL GUIDELINES:**

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**Multiple Choice – 2 points each; 50 points total**

1.	D	16.	A
2.	D	17.	B
3.	A	18.	A
4.	C	19.	B
5.	A	20.	D
6.	B	21.	B
7.	D	22.	C
8.	C	23.	D
9.	C	24.	A
10.	B	25.	B
11.	C		
12.	B		
13.	B		
14.	D		
15.	C		

**Account Identification – 1 point each, 30 points total**

<b>Account Name</b>	<b>Classification (A, L, SE, R, CM, E)</b>	<b>Financial Statement (IS, SOSE, BS, None)</b>	<b>Normal Balance (Dr, Cr, None)</b>
Sales Returns	R	IS	Dr
Allowance for Doubtful Accounts	A	BS	Cr
Income Tax Payable	L	BS	Cr
Purchases	CM	IS	Dr
Income Summary	SE	None	None
Retained Earnings	SE	SOSE and BS	Cr
Prepaid Rent	A	BS	Dr
Insurance Expense	E	IS	Dr
Dividends	SE	SOSE (also accept SOSE and BS)	Dr
Fee	R	IS	Cr

**Short Answer Problems – 3 points each, 39 total points**

1.
  - a. 14.98
  - b. 11.46
  - c. 2,376.44
  - d. Feb 8, 2023
  
2.
  - a. 39,098.00
  - b. 405.65
  - c. 921.65
  - d. Uncollectible Accounts Expense (or Bad Debts Expense, or Doubtful Accounts Expense
  - e. Allowance for Uncollectible Accounts (or Doubtful Accounts or Bad Debts)
  
3.
  - a. 5,617
  - b. 16,061
  - c. 367,634
  - d. 721,630

**Job 1 – Depreciation – 1 point per answer on table; 2 points per question – 36 Total points**

	Straight Line			Double-declining Balance		
	Annual Depreciation	Accumulated Depreciation	Ending Book Value	Annual Depreciation	Accumulated Depreciation	Ending Book Value
2023	775.00	775.00	11,900.00	1,700.00	1,700.00	11,900.00
2024	3,100.00	3,875.00	9,725.00	5,950.00	7,650.00	5,950.00
2025	3,100.00	6,975.00	6,625.00	2,975.00	10,625.00	2,975.00
2026	3,100.00	10,075.00	3,525.00	1,487.50	12,112.50	1,487.50
2027	2,325.00	12,400.00	1,200.00	287.50	12,400.00	1,200.00

**Questions:**

1. 11,900.00
2. 2,712.50
3. 13,600.00

**Job 2 – Effects on the Income Statement – 1 point per answer; 40 Total Points**

<b>Transaction Number</b>	<b>Effect on Net Income Increase, Decrease, None</b>	<b>Amount of Effect</b>
1	None	0
2	Decrease	1,000
3	Decrease	500
4	Decrease	1,525
5	Increase	1,650
6	Increase	250
7	Increase	325
8	None	0
9	None	0
10	None	0
11	Decrease	400
12	Decrease	26.67
13	None	0
14	Decrease	50
15	None	0
16	Increase	265
17	Decrease	310
18	None	0
19	Decrease	20
20	None	0