

# Advanced Accounting (02)

## Regional — 2012

Multiple Choice (15 @ 2 points each) \_\_\_\_\_ (30 pts.)

Short Answer (10 @ 6 points each) \_\_\_\_\_ (60 pts.)

### Production

Problem 1: Check Register \_\_\_\_\_ (32 pts.)

Problem 2: Inventory Valuation \_\_\_\_\_ (36 pts.)

Problem 3A: Estimating Uncollectible Accounts \_\_\_\_\_ (40 pts.)

Problem 3B: Journalize Accounts Receivable \_\_\_\_\_ (40 pts.)

**TOTAL POINTS** \_\_\_\_\_ (238 pts)

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

1. Contestant must hand in this entire test booklet and all printouts.
2. No equipment, supplies, or materials other than those specified for this event are allowed in the testing area.
3. Previous BPA tests, sample tests or facsimiles (handwritten, photocopied, or keyed) are **not** allowed in the testing area.
4. 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 and maintain accounting records for clients as well.

You will have 90 minutes to complete your work. The test consists of three sections which can be completed in any order.

Attach the label provided by the proctor or write your contestant number in the upper right-hand corner of this test. Your name and/or school name **must not** appear on any work you submit for grading. Staple all pages in order before you turn in your test.

Round calculations 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 your answer on the Scantron form provided.

1. When a bankcard sale is entered in the general journal, what account is debited?
  - a. Bankcard Accounts Receivable
  - b. Sales
  - c. Bankcard Fees Expense
  - d. Cash
  
2. If bankcard fees are automatically deducted from the checking account of a merchandising business, how will the transaction be journalized?
  - a. debit Cash and credit Sales
  - b. debit Cash and credit Bankcard Fees Expense
  - c. debit Bankcard Fees Expense and credit Cash
  - d. debit Capital account and credit Cash
  
3. A purchase invoice dated November 9 and received by the buyer on November 12 has terms of 2/10, n30. What is the last day on which a discount can be taken?
  - a. November 22
  - b. November 19
  - c. November 20
  - d. December 9
  
4. When a customer returns merchandise, what form will be prepared to show the reduction of the amount owed by the customer or the amount of cash to be returned to the customer?
  - a. Purchase Return Invoice
  - b. Sales Return Invoice
  - c. Credit Memorandum
  - d. Debit Memorandum
  
5. If a customer is given a price reduction on a slightly damaged item, which of the following accounts will be debited?
  - a. Purchase Returns and Allowances
  - b. Sales Discount
  - c. Purchase Discount
  - d. Sales Returns and Allowances
  
6. Liabilities owed that will be paid within a year are classified as
  - a. current assets.
  - b. plant assets.
  - c. current liabilities.
  - d. long-term liabilities.

7. Which of the following would **not** be paid from the petty cash fund?
  - a. Office Supplies \$23.63
  - b. Postage \$8.80
  - c. Sales Supplies \$28.35
  - d. Insurance Policy \$300.00
  
8. 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.
  
9. The comparison of financial statements in which dollar amounts reported on the financial statement is also expressed as a percentage of a base amount is called \_\_\_\_\_
  - a. base analysis.
  - b. percentage analysis.
  - c. vertical analysis.
  - d. horizontal analysis.
  
10. If a corporation issues only one class of stock, it is referred to as \_\_\_\_\_
  - a. preferred stock.
  - b. common stock.
  - c. treasury stock.
  - d. no-par stock.
  
11. Bill's Bikes has outstanding shares of \$50-par, preferred 8% stock. The dividends per share for the year would be \_\_\_\_\_
  - a. \$1
  - b. \$4
  - c. \$5
  - d. \$8
  
12. In which special journal will you record a customer's payment on account?
  - a. Purchases Journal
  - b. Cash Receipts Journal
  - c. General Journal
  - d. Cash Payments Journal
  
13. On a worksheet, a debit entry of \$4,325 to Income Summary means that
  - a. A total of \$4,325 has been made in adjustments.
  - b. There has been a decrease of \$4,325 in Merchandise Inventory during the accounting period.
  - c. There has been a decrease of \$4,325 in supplies on hand during the accounting period.
  - d. Retained Earnings has been credited for \$4,325.

14. What are the most common sources of cash receipts for a merchandising business?
- a. cash sales, receipts from customers, and bankcard sales
  - b. cash sales, interest earned on bank accounts, and bankcard sales
  - c. cash sales and receipts from vendors
  - d. cash sales
15. Recording an adjustment to transfer the cost of supplies used during the accounting period from Supplies to Supplies Expense is an example of the application of which accounting principle?
- a. matching principle
  - b. consistency principle
  - c. conservatism principle
  - d. confidentiality principle

**Short Answer**

1. A corporation had beginning inventory of \$125,000, ending inventory of \$112,000, and net purchases of \$95,000. What is the cost of merchandise sold?

Cost of Merchandise Sold      \$ \_\_\_\_\_

2. What are the liabilities of a corporation that has total assets of \$175,000 and total stockholders' equity of \$130,000?

Total Liabilities                      \$ \_\_\_\_\_

3. Assume that adjusting and closing entries have been journalized and posted except for the final closing entry. What will be the final closing entry if the Retained Earnings has a balance of \$235,000 and Dividends has a balance of \$23,000?

Amount of Adjustment	\$ _____
Debit	_____
Credit	_____

4. Kelly McNeal works at Bryson's Music Shop. She is paid \$7.30 an hour plus 3 percent commission on sales. Last week Kelly worked 34½ hours. What were her gross earnings for the week if her sales were \$5,200?

Gross Earnings                      \$ \_\_\_\_\_

Electronics, Inc. uses stock cards to update its inventory on a weekly basis. Answer questions 5-6 based on information in the following stock card.

STOCK CARD				
Stock No.		Item		
T-587		Flat Screen TV		
Unit	Minimum	Maximum		
Each	15	40		
Date	Description	In	Out	Balance
8/1/11	Balance on hand			52
8/8/11	Weekly Sales		10	
8/15/11	Weekly Sales		14	
8/22/11	Weekly Sales		15	

5. On what date should a purchase requisition be prepared?

Purchase Requisition Date \_\_\_\_\_

6. What quantity will be reordered?

Quantity \_\_\_\_\_

7. The company sold \$2,500 to a customer on account on March 4. Terms are 2/10, n/30. On March 7, the customer returned \$425 of the merchandise. Assuming that the customer pays his account on March 12, what amount will he pay?

Amount \$ \_\_\_\_\_

8. On June 10, your bank notified you that a check from customer Selena Brown for \$375 was returned unpaid (Memo 62). The bank charged you a \$20 NSF fee. Company policy specifies that returned check fees will be charged to the customer. What journal entry(s) should be made to journalize the returned check?

General Journal					
Date	Account Title	Doc No.	Post Ref.	Debit	Credit
2012					





## Problem 2 Inventory Valuation Methods

The three most common methods of valuing inventory using a periodic inventory system are listed in the chart below. What will be the effect of each method on the three components in the chart: Net Income, Ending Cost of Inventory, and Cost of Merchandise Sold?

### Part A: Rising Prices

In a period of rising costs, indicate the effect of each inventory method on the three Income Statement components in the first column. Use **highest, lowest, and intermediate** as your responses.

Comparison of Inventory Valuation Methods			
	FIFO	LIFO	Weighted Average
<i>Net Income</i>			
<i>Ending Cost of Inventory</i>			
<i>Cost of Merchandise Sold</i>			

### Part B: Declining Prices

Refer to Problem 2 above. How will Net Income, Ending Cost of Inventory, and Cost of Merchandise Sold be affected in a period of declining prices?

Comparison of Inventory Valuation Methods			
	FIFO	LIFO	Weighted Average
<i>Net Income</i>			
<i>Ending Cost of Inventory</i>			
<i>Cost of Merchandise Sold</i>			

**Problem 3: Uncollectible Accounts**

**Part A: Estimate Allowance for Uncollectible Accounts**

Mangini, Inc. bases its estimated uncollectible accounts receivable on the age of the account—the longer an account is past due, the more likely the account is to become uncollectible. The following chart reflects the December 31, 2011, balance of each customer's account and the age of the account. Complete the **shaded sections** of the chart.

1. Calculate the total accounts receivable and the amount in each age category.
2. Calculate the percentages for each age category.
3. Calculate the total estimated uncollectible amount for all outstanding accounts receivable. .

Customer	Account Balance	Age of Account			
		Less than 30 Days	31-60 Days	61-90 Days	More than 90 Days
Brown, Andrew	325.50	325.50			
Callaghan, Maureen	165.46		46.92		118.54
Freidman, Jerry	142.35	142.35			
Smith, Mary	248.75			161.60	87.15
Paul, Elmer	248.15	48.15	200.00		
Wayne, John	536.80		536.80		
Total Accounts Receivable					
Percentage		0.25%	0.50%	20.00%	80.00%
<b>Estimated Uncollectible</b>					





# ADVANCED ACCOUNTING (02)

## KEY

### Regional– 2012

Multiple Choice (15 @ 2 points each) \_\_\_\_\_ (30 pts.)

Short Answer (10 @ 6 points each) \_\_\_\_\_ (60 pts.)

#### **Production**

Problem 1: Check Register \_\_\_\_\_ (32 pts.)

Problem 2: Inventory Valuation \_\_\_\_\_ (36 pts.)

Problem 3A: Estimating Uncollectible Accounts \_\_\_\_\_ (40 pts.)

Problem 3B: Journalize Accounts Receivable \_\_\_\_\_ (40 pts.)

**TOTAL POINTS** \_\_\_\_\_ **(238pts)**

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#### ***Judges/Graders:***

Please double-check and verify all scores!

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**Multiple Choice Questions:**

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

**Short Answer**

1. A corporation had beginning inventory of \$125,000, ending inventory of \$112,000, and net purchases of \$95,000. What is the cost of merchandise sold?

Cost of Merchandise Sold      \$108,000

2. What are the liabilities of a corporation that has total assets of \$175,000 and total stockholders' equity of \$130,000?

Total Liabilities                      \$45,000

3. Assume that adjusting and closing entries have been journalized and posted except for the final closing entry. What will be the final closing entry if the Retained Earnings has a balance of \$235,000 and Dividends has a balance of \$23,000?

Amount of Adjustment	<u>23,000</u>
Debit	<u>Retained Earnings</u>
Credit	<u>Dividends</u>

4. Kelly McNeal works at Bryson's Music Shop. She is paid \$7.35 an hour plus 3 percent commission on sales. Last week Kelly worked 34½ hours. What were her gross earnings for the week if her sales were \$5,200?

Gross Earnings                      \$407.85



Electronics, Inc. uses stock cards to update its inventory on a weekly basis. Answer questions 5-6 based on information in the following stock card.

STOCK CARD				
Stock No.		Item		
T-587		Flat Screen TV		
Unit	Minimum	Maximum		
Each	15	40		
Date	Description	In	Out	Balance
8/1/11	Balance on hand			52
8/8/11	Weekly Sales		10	42
8/15/11	Weekly Sales		14	28
8/22/11	Weekly Sales		15	13

5. On what date should a purchase requisition be prepared?

Purchase Requisition Date August 22 (8/22/12)

6. What quantity will be reordered?

Quantity 27 units will be requisitioned.

7. The company sold \$2,500 to a customer on account on March 4. Terms are 2/10, n/30. On March 7, the customer returned \$425 of the merchandise. Assuming that the customer pays his account on March 12, what amount will he pay?

Amount \$2,033.50



8. On June 10, your bank notified you that a check from customer Selena Brown for \$375 was returned unpaid (Memo 62). The bank charged you a \$20 NSF fee. Company policy specifies that returned check fees will be charged to the customer. What journal

should  
  
check?

Year	Sales	Net Income	Return on Sales
2010	26,400	11,500	.425:1 or 42.5%
2011	35,150	25,170	.716 :1 or 71.6%

entry(s)  
be made to  
journalize the  
returned

General Journal					
Date	Account Title	Doc No.	Post Ref.	Debit	Credit
2012					
June 10	Accts. Rec./Selena Brown	M62		395.00	
	Cash				395.00

9. Based on the following data, estimate the cost of ending merchandise inventory. You can use the form below for your calculations if you want to do so. However, only the Estimated Ending Inventory blank below the data will be graded.

Net Sales (net)        \$144,500  
 Estimated gross profit        33%  
 Beginning merchandise inventory    \$61,638  
 Purchases        \$70,526  
 Merchandise available for sale    \$132,164

Estimated Ending Inventory        \$35,349.00

10. Edison Company uses return on sales ratio as one of its profitability ratios. Calculate the ratio for 2010 and 2011. Round decimals to three places and/or percentages to one place.

Year	Sales	Net Income	Return on Sales
2010	26,400	11,500	.436:1 or 43.6%
2011	35,150	25,170	.716:1 or 71.6%



Problem 1

CHECK REGISTER						
Date	✓	Transaction	Check #	Withdrawal	Deposit	Balance
01/01/12	✓	Beginning Balance				\$2,755.25
01/02/12		Columbus Supply	2034	385.00		\$2,370.25
01/06/12		Deposit			708.01	\$3,078.26
01/10/12		Wilson Realty	2035	1,200.00		\$1,878.26
01/11/12		Returned Check		87.56		\$1,790.70
01/11/12		Returned Check Fee		15.00		\$1,775.70
01/18/12		Bankcard Deposit			1,820.50	\$3,596.20
01/18/12		Bankcard Fee		54.62		\$3,541.59
01/22/12		American Electric Co	2036	227.43		\$3,314.16

**Graders:**

**Total 32 Points (4 points for each line after the Beginning Balance line). Most important component is the Balance amount after each transaction has been entered. Returned Check Fee and Bankcard Fee transactions can be netted on respective lines above each.**



## Problem 2 Inventory Valuation Methods

### Part A: Rising Prices

Comparison of Inventory Valuation Methods			
	FIFO	LIFO	Weighted Average
<i>Net Income</i>	Highest	Lowest	Intermediate
<i>Ending Cost of Inventory</i>	Highest	Lowest	Intermediate
<i>Cost of Merchandise Sold</i>	Lowest	Highest	Intermediate

### Part B: Declining Prices

Comparison of Inventory Valuation Methods			
	FIFO	LIFO	Weighted Average
<i>Net Income</i>	Lowest	Highest	Intermediate
<i>Ending Cost of Inventory</i>	Lowest	Highest	Intermediate
<i>Cost of Merchandise Sold</i>	Highest	Lowest	Intermediate

**Graders: 2 points for each entry—Total 36 points**



**Problem 3: Uncollectible Accounts**

**Part A: Estimate Allowance for Uncollectible Accounts**

1. Calculate the total accounts receivable and the amount in each age category.
2. Calculate the percentages for each age category.
3. Calculate the total estimated uncollectible amount for all outstanding accounts receivable.
- 4.

Customer	Account Balance	Age of Account			
		Less than 30 Days	31-60 Days	61-90 Days	More than 90 Days
Brown, Andrew	325.50	325.50			
Callaghan, Maureen	165.46		46.92		118.54
Freidman, Jerry	142.35	142.35			
Smith, Mary	248.75			161.60	87.15
Paul, Elmer	248.15	48.15	200.00		
Wayne, John	536.80		536.80		
Total Accounts Receivable	1667.01	516.00	783.72	161.60	205.69
		0.25%	0.50%	20.00%	80.00%
<b>Estimated Uncollectible</b>	<b>202.08</b>	<b>1.29</b>	<b>3.92</b>	<b>32.32</b>	<b>164.55</b>

**Graders: 4 points for each shaded amount—Total 40 points.**



**Part B: Journalize Accounts Receivable Transactions**

1. Journalize the adjusting entry based on your calculation of uncollectible accounts in Part A. (December 31, 2011). The Allowance for Uncollectible Accounts has a balance of \$52.50. Memo 134.
2. On January 15, 2011, you received notice that Maureen Callaghan has filed bankruptcy and the account is deemed uncollectible. Write off her account. Memo 140
3. On February 28 your received a check from Maureen Callaghan for \$65.00. Ms. Callaghan included a promise to pay the remaining balance within 30 days. Memo 155 and Check 499

General Journal						
Date		Account Title	Doc No.	Post Ref.	Debit	Credit
2011						
Dec	31	Uncollectible Accounts Expense	M134		149.58	
		Allow. for Uncollectible Accounts				149.58
2012						
Jan	15	Allowance for Uncollectible Accounts	M140		165.46	
		Accts. Rec./Maureen Callaghan				165.46
Feb	28	Accts. Rec./Maureen Callaghan	M155		165.46	
		Allow. for Uncollectible Account				165.46
	28	Cash	Ck 499		65.00	
		Accts. Rec./Maureen Callaghan				65.00

**Graders: 10 points for each journal transaction: total 40 points. The two Feb. 28 entries could be journalized as one entry. Still 40 points total.**

Feb	28	Cash	Ck 499		65.00	
		Accts. Rec./Maureen Callaghan			100.46	
		Allow. For Uncollectible Accounts				165.46