

# FUNDAMENTAL ACCOUNTING (01) REGIONAL 2011

CONTESTANT ID# \_\_\_\_\_

START TIME \_\_\_\_\_

END TIME \_\_\_\_\_



Financial Services Events Sponsored by the American Institute of Certified Public Accounts

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

Accounting Cycle Order (8 @ 2 points each) \_\_\_\_\_ (16 pts)

## Production Portion

Problem 1: Part A – Chart of Accounts \_\_\_\_\_ (11pts)

Part B – Journalizing \_\_\_\_\_ (92 pts)

Problem 2:

Job 1 – Income Statement \_\_\_\_\_ (30 pts)

Job 2 – Balance Sheet \_\_\_\_\_ (42 pts)

**TOTAL POINTS** \_\_\_\_\_ (241pts)

RANK \_\_\_\_\_

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- 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

# FUNDAMENTAL ACCOUNTING (01) REGIONAL 2011

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## General Instructions

You have been hired as the Bookkeeper at Business Professional Associates, located at 2424 Capital Avenue, Indianapolis, IN 47201. Business Professional Associates provides accounting and other financial services for clients. Your responsibility is to handle the financial requirements of BPA. You are expected to maintain confidentiality and integrity in managing the company's financial transactions.

You will have 90 minutes to complete your work. The test is divided into two parts. The multiple choice and account identification portion should be completed first, and then the accounting problems may be completed in any order.

Your name and/or school name should NOT appear on any work you submit for grading. Write your contestant number in the provided space. Staple all pages IN ORDER before you turn in your test. As you turn in your test to the proctor, be sure to initial the sign in sheet to verify that you submitted your test.

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Multiple Choice (Circle the correct answer.)

1. What is the accounting equation:
  - a.  $\text{Assets} + \text{Liability} = \text{Owner's Equity}$
  - b.  $\text{Liability}/\text{Owner's Equity} = \text{Assets}$
  - c.  $\text{Assets} * \text{Owner's Equity} = \text{Liability}$
  - d.  $\text{Assets} = \text{Liability} + \text{Owner's Equity}$
  
2. The normal balance of an account is the:
  - a. Debit
  - b. Credit
  - c. Increase Side
  - d. Decrease Side
  
3. When a company is buying supplies and paying with a check, the two accounts affected are:
  - a. Accounts Payable, Supplies
  - b. Accounts Receivable, Supplies
  - c. Supplies, Capital
  - d. Supplies, Cash
  
4. Which account is classified under Liability:
  - a. Supplies on Account
  - b. Accounts Payable
  - c. Prepaid Insurance
  - d. Drawing
  
5. Which account is not classified under Owner's Equity:
  - a. Drawing
  - b. Capital
  - c. Cash
  - d. Revenue
  
6. A proprietorship is a business owned by:
  - a. Two or more people
  - b. Stockholders
  - c. One person
  - d. All of the above

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7. An amount owed by a business is called a:
  - a. Asset
  - b. Accounts Receivable
  - c. Liability
  - d. Drawing
  
8. The account numbers assigned in the chart of accounts are:
  - a. To show the location of each account in a ledger
  - b. Arranged in the same order as they appear on financial statements
  - c. Arranged in alphabetical order
  - d. All of the above
  
9. Which is *not* a source document:
  - a. Checks
  - b. Sales Invoices
  - c. E-mails
  - d. Memorandums
  
10. A worksheet is used to:
  - a. Check on the accuracy of the planned adjustments
  - b. Bring accounts up to date
  - c. Match Expenses with Revenue
  - d. All of the above
  
11. Net Income is achieved when:
  - a. Expenses are greater than revenue
  - b. Revenue is greater than expenses
  - c. Assets are greater than liabilities
  - d. Sales are greater than revenue
  
12. What account is used on the Income Statement:
  - a. Cash
  - b. Sales
  - c. Accounts Payable
  - d. Accounts Receivable
  
13. What account is used on the Balance Sheet:
  - a. Revenue
  - b. Capital
  - c. Sales
  - d. Supplies Expense

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14. The information for the worksheet comes from the:

- a. Income Statement
- b. Balance Sheet
- c. General Journal
- d. General Ledgers

15. The income summary account:

- a. Is used to summarize the closing entries
- b. Does not have a normal balance
- c. Is a permanent account
- d. A and B

16. When the debit and credit columns equal and are ruled on the worksheet, it is called:

- a. Journalizing
- b. Posting
- c. Balancing
- d. Proving

17. A fiscal period is:

- a. Used to summarize financial information
- b. Can be monthly and yearly
- c. Only at the end of the year
- d. A and B

18. Which transaction will establish a petty cash account:

- a. Cash – Debit  
Petty Cash - Credit
- b. Supplies-Debit  
Miscellaneous Expense – Debit  
Cash-Credit
- c. Petty Cash-Debit  
Cash-Credit
- d. Supplies-Debit  
Miscellaneous Expense-Debit  
Petty Cash-Credit

19. Integrity is:

- a. Always doing the right thing
- b. Avoiding appearance of impropriety
- c. Most critical component for long-term business success
- d. All of the above

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20. In making an ethical decision, which is not part of the ethical process:
- Recognize the ethical dilemma
  - Analyze the action taken or proposed action
  - Adhere to the company code of conduct
  - Determine if the action is legal or illegal
21. An employee earned \$1,200 for the week, calculate the employees net pay after deducting ,  
6.2% for Social Security tax, 1.45% for Medicare tax, Federal Income Tax of \$360.00:
- 830.86
  - 830.82
  - 775.74
  - 748.20

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Use the financial information for Business Professional Associates to answer questions 22-25:

<u>Account Title</u>	<u>Balance</u>	<u>Account Title</u>	<u>Balance</u>
Cash	\$10,000.00	John Smith, Capital	\$7,000.00
Petty Cash	200.00	John Smith, Drawing	1,500.00
Accounts Receivable- Liquidators, Inc.	1,200.00	Sales (Revenue)	12,000.00
Accounts Receivable-Tires, Inc.	225.00	Advertising Expense	2,285.00
Supplies-Office	500.00	Insurance Expense	400.00
Supplies-Sales	350.00	Rent Expense	1,110.00
Prepaid Insurance	600.00	Supplies-Sales Expense	340.00
Accounts Payable-Professional Mktg, Inc.	275.00	Utilities Expense	725.00
Accounts Payable-First Indiana, Inc.	160.00		

22. Calculate the total liabilities :

- a. 5,295.00
- b. 435.00
- c. 11,680.00
- d. 13,510.00

23. Calculate the total sales on account:

- a. 1,425.00
- b. 13,425.00
- c. 1,200.00
- d. 12,000.00

24. Calculate the total net income:

- a. 8,265.00
- b. 7,140.00
- c. 4,425.00
- d. 5,500.00

25. Calculate the balance sheet proving totals:

- a. 5,500.00
- b. 13,765.00
- c. 13,075.00
- d. 8,935.00

# FUNDAMENTAL ACCOUNTING (01) REGIONAL 2011

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**Accounting Cycle Order:**

Put the following steps of the accounting cycle in correct order:

<b>Steps:</b>	<b>List the steps in CORRECT ORDER:</b>
<b>A. Prepare Financial Statements</b>	<b>1.</b>
<b>B. Post</b>	<b>2.</b>
<b>C. Analyze Transactions</b>	<b>3.</b>
<b>D. Journalize</b>	<b>4.</b>
<b>E. Prepare Workshet</b>	<b>5.</b>
<b>F. Post Adjusting and Closing Entries</b>	<b>6.</b>
<b>G. Prepare Post Closing Trial Balance</b>	<b>7.</b>
<b>H. Journalize Adjusting and Closing Entries</b>	<b>8.</b>

# FUNDAMENTAL ACCOUNTING (01) REGIONAL 2011

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## PROBLEM #1, Part A – CHART OF ACCOUNTS

Assign and write in the account numbers for the new accounts listed in the chart of accounts table.

### Business Professional Associates Chart of Accounts

<b>Assets</b>	<b>Revenue</b>
110 Cash	410 Payroll Services
___ Petty Cash	___ Financial Consulting Services
130 Accounts Receivable – Liquidators, Inc.	430 Tax Services
___ Accounts Receivable –Manufacturing, Inc.	___ Bookkeeping Services
___ Accounts Receivable – Tires, Inc.	
150 Supplies – Office	<b>Expenses</b>
___ Supplies, Sales	510 Advertising Expense
170 Prepaid Insurance	520 Insurance Expense
	530 Rent Expense
<b>Liabilities</b>	540 Utilities Expense
210 Accounts Payable – Professional Marketing, Inc.	<b>New Expense Accounts</b>
___ Accounts Payable – First Indiana	___ Miscellaneous Expense
___ Accounts Payable – Sales Supplies, Inc.	___ Supplies – Sales Expense
<b>Owner's Equity</b>	
310 John Smith, Capital	
320 John Smith, Drawing	
___ Income Summary	

# FUNDAMENTAL ACCOUNTING (01) REGIONAL 2011

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## PROBLEM #1, Part B-Journalizing

Journalize the following transactions on the General Journal. Refer to Business Professional Associates chart of accounts completed in problem 1 part A.

- November 1 John Smith, owner, deposited \$25,000 in the business to launch their new Financial Consulting Services. Memorandum 11
- November 2 Sold tax services to Tire, Inc. on account, \$1,200. Sales Invoice 22
- November 3 Sold bookkeeping services on account to Manufacturing, Inc., \$3,500, Sales Invoice 23.
- November 4 Bought sales supplies on account from Sales Supplies, Inc. for \$500. Memorandum 13.
- November 5 Paid \$250 on account to Sales Supplies, Inc. Check 43.
- November 6 Received \$600.00 on account from Tires, Inc. Receipt 12.
- November 7 Paid \$500 to the Indiana Business Journal for advertisement expense in their November issue. Check 44.
- November 10 Sold financial consulting services to Liquidators, Inc. on account, \$3,500 Sales Invoice 24.
- November 14 Paid \$600.00 on account to Professional Marketing for marketing campaign. Check 45.
- November 15 Bought advertising from Indianapolis Monthly Magazine, paid cash \$650.00. Check 46
- November 16 Received \$3,500 on account from Manufacturing, Inc. Receipt 13
- November 20 Paid \$600 for insurance to Indiana Insurance for 3 months in advance. Check 47
- November 22 Paid \$1,200 for rent. Check 48.
- November 30 John Smith, owner, withdrew \$2,000 for personal use. Check 51.
- November 30 Replenished the petty cash fund for \$80.00. Miscellaneous Expense \$38.00; Supplies Expense \$42.00. Check 52.



# FUNDAMENTAL ACCOUNTING (01) REGIONAL 2011

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**Job 1: Prepare an Income Statement**

**Job 2: Prepare a Balance Sheet**

Use the following information taken from Professional Business Associates accounting records to prepare an Income Statement and a Balance Sheet for the month ended November, 2010.

Cash	\$25,595.00
Petty Cash	100.00
Accounts Receivable-Liquidators, Inc.	3,500.00
Accounts Receivable-Manufacturing, Inc.	3,400.00
Accounts Receivable-Tires, Inc.	600.00
Supplies-Office	500.00
Supplies-Sales	500.00
Prepaid Insurance	600.00
Accounts Payable-Professional Marketing	600.00
Accounts Payable-Sales Supplies, Inc.	250.00
John Smith, Capital	25,000.00
John Smith, Drawing	2,000.00
Financial Consulting Services	7,500.00
Tax Services	3,000.00
Bookkeeping Services	3,500.00
Income Summary	
Advertising Expense	1,150.00
Miscellaneous Expense	38.00
Rent Expense	1,200.00
Supplies-Sales Expense	42.00
Utilities Expense	625.00





# FUNDAMENTAL ACCOUNTING (01)



## KEY

### Regional—2011

Multiple Choice (25 @ 2 points each)	_____	(50 pts)
Accounting Cycle Order (8 @ 2 points each)	_____	(16 pts)

#### Production Portion

Problem 1: Part A - Chart of Accounts	_____	(11pts)
Part B – Journalizing	_____	( 92 pts)
Problem 2: Financial Statements		
Job 1 – Income Statement	_____	(30 pts)
Job 2 – Balance Sheet	_____	(42 pts)
<b>TOTAL POINTS</b>	_____	(241 pts)

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**Multiple Choice Questions:**

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

**Correct Order of the Accounting Cycle**

Steps:	List the steps in CORRECT ORDER:
A. Prepare Financial Statements	1. C - Analyze Transactions
B. Post	2. D-Journalize
C. Analyze Transactions	3. B- Post
D. Journalize	4. E-Prepare Worksheet
E. Prepare Worksheet	5. A-Prepare Financial Statements
F. Post Adjusting and Closing Entries	6. H-Journalize Adjusting and Closing Entries
G. Prepare Post Closing Trial Balance	7. F-Post Adjusting and Closing Entries
H. Journalize Adjusting and Closing Entries	8. G-Prepare Post Closing Trial Balance.



### **General Instructions**

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**PROBLEM #1, Part A –Chart of Accounts**

Assign and write in the account numbers for the new accounts listed in the chart of accounts table.

**Business Professional Associates  
 Chart of Accounts**

<p><b>Assets</b></p> <p>110 Cash</p> <p><b>120</b> Petty Cash</p> <p>130 Accounts Receivable – Liquidators, Inc.</p> <p><b>135</b> Accounts Receivable –Manufacturing, Inc.</p> <p><b>140</b> Accounts Receivable – Tires, Inc.</p> <p>150 Supplies – Office</p> <p><b>160</b> Supplies, Sales</p> <p>170 Prepaid Insurance</p> <p><b>Liabilities</b></p> <p>210 Accounts Payable – Professional Marketing, Inc.</p> <p><b>220</b> Accounts Payable – First Indiana</p> <p><b>230</b> Accounts Payable – Sales Supplies, Inc.</p> <p><b>Owner’s Equity</b></p> <p>310 John Smith, Capital</p> <p>320 John Smith, Drawing</p> <p><b>330</b> Income Summary</p>	<p><b>Revenue</b></p> <p>410 Payroll Services</p> <p><b>420</b> Financial Consulting Services</p> <p>430 Tax Services</p> <p><b>440</b> Bookkeeping Services</p> <p><b>Expenses</b></p> <p>510 Advertising Expense</p> <p>520 Insurance Expense</p> <p>530 Rent Expense</p> <p>540 Utilities Expense</p> <p><b>New Expense Accounts</b></p> <p><b>525</b> Miscellaneous Expense</p> <p><b>535</b> Supplies – Sales Expense</p>
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**GRADER: THEY RECEIVE 1 POINT FOR EACH CORRECT NEW ACCOUNT NUMBER THAT THE STUDENT ASSIGNS.**

**TOTAL POINTS: 11**



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**REGIONAL 2011**  
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**PROBLEM #1, Part B-Journalizing**

Journalize the following transactions on the General Journal using the following account titles.

Account Title

Cash	Advertisement Expense
Accounts Receivable-Liquidators, Inc.	Miscellaneous Expense
Accounts Receivable-Tire, Inc.	Rent Expense
Accounts Receivable, Manufacturing, Inc.	Supplies Expense
Prepaid Insurance	Utilities Expense
Accounts Payable-Professional Marketing, Inc.	John Smith, Capital
Accounts Payable-Sales Supplies, Inc.	John Smith, Drawing
Sales	

- November 1 John Smith, owner, deposited \$25,000 in the business to launch their new Financial Consulting Services. Memorandum 11
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**PROBLEM #1, PART B - JOURNALIZING**

Date 2010		Account Title	Doc No.	Post Ref.	Debit					Credit				
Nov	1	Cash	M11		25	0	0	0	00					
		John Smith, Capital								25	0	0	0	00
	2	A/R-Tire, Inc.	S 22		1	2	0	0	00					
		Sales-tax services								1	2	0	0	00
	3	A/R-Manufacturing, Inc.	S23		3	5	0	0	00					
		Sales-bookkeeping								3	5	0	0	00
	4	Supplies-Sales	M13			5	0	0	00					
		A/P – Sales Supplies, Inc.								5	0	0	0	00
	5	A/P – Sales Supplies, Inc.	C43			2	5	0	00					
		Cash								2	5	0	0	00
	6	Cash	R12			6	0	0	00					
		A/R-Tires, Inc.								6	0	0	0	00
	7	Advertisement Expense	C44			5	0	0	00					
		Cash								5	0	0	0	00
	10	A/R-Liquidators, Inc.	S24		3	5	0	0	00					
		Sales-financial consulting services								3	5	0	0	00
	14	A/P-Professional Marketing, Inc.	C45			6	0	0	00					
		Cash								6	0	0	0	00
	15	Advertisement Expense	C46			6	5	0	00					
		Cash								6	5	0	0	00
	16	Cash	R13		3	5	0	0	00					
		A/R-Manufacturing, Inc.								3	5	0	0	00
	20	Prepaid Insurance	C47			6	0	0	00					
		Cash								6	0	0	0	00
	22	Rent Expense	C48		1	2	0	0	00					
		Cash								1	2	0	0	00
	30	John Smith, Drawing	C51		2	0	0	0	00					
		Cash								2	0	0	0	00
	30	Miscellaneous Expense	C52			3	8	00						
		Supplies Expense				4	2	00						
		Cash								8	0	00		

**GRADER:** On the general journal the student receives one point for each item. **TOTAL POINTS: 92**





**PROBLEM 2: FINANCIAL STATEMENTS**  
**Job 2 – Balance Sheet**

**Business Professional Associates**

**Balance Sheet**

**November 30, 2010**

Assets											
Cash	\$	25	5	9	5	00					
Petty Cash			1	0	0	00					
Accounts Receivable- Liquidators, Inc.		3	5	0	0	00					
Accounts Receivable-Manufacturing, Inc.		3	4	0	0	00					
Accounts Receivable-Tires, Inc.			6	0	0	00					
Supplies-Office			5	0	0	00					
Supplies-Sales			5	0	0	00					
Prepaid Insurance			6	0	0	00					
<b>Total Assets</b>							\$	34	7	9	5 00
Liabilities											
Accounts Payable-Professional Marketing	\$		6	0	0	00					
Accounts Payable-Sales Supplies, Inc.			2	5	0	00					
<b>Total Liability</b>								8	5	0	00
Owner's Equity											
John Smith, Capital							\$	33	9	4	5 00
<b>Total Liabilities and Owner's Equity</b>							\$	34	7	9	5 00

**Grader:** The student receives 1 point for each item, plus one point for each correct ruling. In addition, one point for \$ signs.

**Total Points: 42**