

# FUNDAMENTAL ACCOUNTING (01)

## Regional– 2010

Multiple Choice (30 @ 2 points each) \_\_\_\_\_ (60 pts.)

Accounting Cycle for a business (8 @ 3 points each)

Account Identification (7 @ 3 points each) \_\_\_\_\_ (45 pts.)

### Production Portion

Problem 1: Great Adventures

(15 @ 6 points each) \_\_\_\_\_ (90 pts.)

Problem 2: Petrol Inc.

Income Statement \_\_\_\_\_ ( 25 pts.)

Balance Sheet \_\_\_\_\_ ( 30 pts.)

**TOTAL POINTS** \_\_\_\_\_ **(250)**

**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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*Workplace Skills Assessment Program* competition.

**General Instructions**

You have been hired as a Senior Accountant and will be keeping the accounting records for Bloomberg Business Associates, located at 1250 Avenue of the Americas, New York, NY. Bloomberg Business Associates provides accounting and other financial services for clients. You will complete accounting jobs for Bloomberg Business Associates' own accounting records, as well as for clients.

You will have 90 minutes to complete your work. The test is divided into two parts. The multiple choice questions, accounting cycle and the account identification portions should be completed first, and then the two accounting problems, which 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.

**Multiple Choice Questions:**

**Record the best answer for each of the following questions on the Scantron form provided.**

1. The accounting concept that is applied when a business's financial information is recorded and reported separately from the owner's personal information is called the \_\_\_\_\_ concept.
  - a. Preferred
  - b. Business Entity
  - c. Liquidity
  - d. Legal Entity
  
2. What is not an advantage of a proprietorship? \_\_\_\_\_.
  - a. Ease of formation
  - b. Total control by the owner
  - c. Profits are shared
  - d. Fewer government regulations than for other business structures
  
3. The standards and rules that accountants follow while recording and reporting financial activities are \_\_\_\_\_ principles.
  - a. GAAP
  - b. FASB
  - c. CAP
  - d. APB
  
4. Accounts used to cumulate information from one fiscal period to the next are called \_\_\_\_\_.
  - a. Temporary accounts
  - b. Capital accounts
  - c. Income accounts
  - d. Permanent accounts
  
5. An equation showing the relationship among assets, liabilities, and owner's equity is a(n) \_\_\_\_\_.
  - a. Entity Equation
  - b. Financial Equation
  - c. Accounting Equation
  - d. Business Equation
  
6. Expenses incurred in one fiscal period, but not paid until a later fiscal period is a(n) \_\_\_\_\_.
  - a. Prepaid Expense
  - b. Accrual Expense
  - c. Timed Expense
  - d. Future Expense
  
7. When an owner wants to determine the balance of a particular account, they should refer to the
  - a. general journal
  - b. ledger
  - c. bank statement
  - d. source document

8. An organization with the legal rights of a person and which may be owned by many people is a \_\_\_\_\_.
  - a. Corporation
  - b. Partnership
  - c. Proprietorship
  - d. Limited Liability Co.
  
9. The series of accounting activities included in recording financial information for a fiscal period is called a(n) \_\_\_\_\_.
  - a. Fiscal Cycle
  - b. Accounting Cycle
  - c. Financial Cycle
  - d. Business Cycle
  
10. The financial statement that reports assets, liabilities, and owner's equity on a specific date is the \_\_\_\_\_.
  - a. Owner's Equity Statement
  - b. Income Statement
  - c. Balance Sheet
  - d. Source and Application of Funds Statement
  
11. If a business has assets of \$228,000 and liabilities of \$90,000, what is the amount of owner's equity? \_\_\_\_\_.
  - a. \$ 90,000
  - b. \$138,000
  - c. \$228,000
  - d. \$318,000
  
12. The ratio that shows the numeric relationship of current assets to current liabilities is the \_\_\_\_\_.
  - a. Financial Ratio
  - b. Working Capital Ratio
  - c. Asset-Liability Ratio
  - d. Current Ratio
  
13. An endorsement consisting only of the endorser's signature is called a \_\_\_\_\_.
  - a. Endorsement
  - b. Blank Endorsement
  - c. Special Endorsement
  - d. Restrictive Endorsement
  
14. The formula for calculating the net income component percentage is \_\_\_\_\_.
  - a. Net Income divided by total sales
  - b. Total Sales divided by total expenses
  - c. Total Sales minus total expenses divided by net income
  - d. Total Sales divided by net income
  
15. The accounts listed on a post-closing trial balance are \_\_\_\_\_

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REGIONAL 2010**

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- a. General Ledger accounts with balances after the closing entries are posted
  - b. All general ledger accounts
  - c. Those that have no balances after adjusting and closing entries
  - d. Those that appear in the worksheet's trial balance column
16. Listed below are the account titles and account balances for a business owned by Kobe Brandt

Accounts Payable	\$7,000	Equipment	\$15,000
Accounts Receivable	\$4,000	Brandt, Capital	\$21,000
Cash-in-bank	\$6,000	Office Supplies	\$ 3,000

What are the total assets of Kobe Brandt's business? \_\_\_\_\_

- a. \$ 6,000
  - b. \$25,000
  - c. \$28,000
  - d. \$21,000
17. If a business's assets are \$83,550, what are the liabilities if owner's equity is \$57,980
- \_\_\_\_\_
- a. \$25,750
  - b. \$57,980
  - c. \$26,570
  - d. \$25,570
18. If liabilities for a company are = \$8,250; revenue=\$16,300; expenses are =\$7,410; and beginning owner's equity is \$15,000; what are the total amount of assets? \_\_\_\_\_
- a. \$24,750
  - b. \$32,140
  - c. \$23,910
  - d. \$14,360
19. The Landry Company has assets of \$19,600; liabilities of \$5,900, revenues of \$9,500; and expenses of \$3,300. What is the amount of the Landry Co.'s beginning Owner's Equity account? \_\_\_\_\_
- a. \$12,100
  - b. \$ 6,200
  - c. \$ 7,500
  - d. \$13,700
20. When reconciling the bank statement, outstanding checks are checks
- a. customers still need to give to the business
  - b. written but not showing on the statement
  - c. returned due to insufficient funds
  - d. appearing on the statements
21. The general journal is used to

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- a. record daily business transactions as they occur
  - b. summarize account activities
  - c. keep track of amounts owed by customers
  - d. show the current balance of the checkbook
22. Comparing expenses incurred in an accounting period with the revenue earned during the same period is known as
- a. the matching principle
  - b. going concern
  - c. component percentage
  - d. the current ratio
23. How is the portion of insurance premiums that has expired during the course of the business year, for an existing company classified? \_\_\_\_\_
- a. As an asset
  - b. As an expense
  - c. As a liability
  - d. As owner's equity
24. The accounts used to adjust the Prepaid Insurance account are \_\_\_\_\_
- a. Prepaid Insurance and Allowance for Doubtful Accounts
  - b. Prepaid Insurance and Retained Earnings
  - c. Prepaid Insurance and Insurance Expense
  - d. Prepaid Insurance and Owner's Equity
25. The entry to adjust the Prepaid Insurance account is \_\_\_\_\_
- a. DEBIT-Insurance Expense; CREDIT-Prepaid Insurance
  - b. DEBIT-Prepaid Insurance; CREDIT-Insurance Expense
  - c. DEBIT-Insurance Expense; CREDIT-Income Summary
  - d. DEBIT-Supplies; CREDIT-Prepaid Insurance

Use the financial information for Aqua-Kleen below to answer questions 26-30.

<i>Account Balance</i>		<i>Account Balance</i>	
Cash	5,321.00	Revenue	3,719.00
Accounts Receivable	790.00	Advertising Expense	245.00
Delivery Equipment	2,500.00	Delivery Expense	735.00
Office Equipment	2,200.00	Miscellaneous Expense	255.00
Supplies	1,968.00	Rent Expense	750.00
Accounts Payable	675.00	Repair Expense	395.00
Owner's Equity	11,000.00	Utilities Expense	235.00

26. What is Aqua-Kleen's net income for the period?
- a. \$1,140.00
  - b. \$1,410.00
  - c. \$1,014.00
  - d. \$1,104.00
27. Aqua-Kleen's assets for the period total
- a. \$12,977.00
  - b. \$12,797.00
  - c. \$12,979.00
  - d. \$12,779.00
28. The return on sales (or component percentage of sales) for Aqua-Kleen is
- a. 29.8%
  - b. 2.97%
  - c. 29.7%
  - d. 29.6%
29. What is the amount of Aqua-Kleen's ending equity balance?
- a. \$11,000.00
  - b. \$12,104.00
  - c. \$11,104.00
  - d. \$12,000.00
30. When completing the work sheet, the Trial Balance section totals should equal
- a. \$15,394.00
  - b. \$15,934.00
  - c. \$15,439.00
  - d. \$15,943.00

**THE ACCOUNTING CYCLE FOR A BUSINESS**

**Directions:** Listed below are the normal accounting activities for a service business. Arrange the sequence of the steps by writing the number from 1-8 to the left of each entry.

- \_\_\_\_\_ A worksheet, including a trial balance, is prepared from the general ledger.
- \_\_\_\_\_ Transactions from information on source documents are recorded in a journal.
- \_\_\_\_\_ Source documents are checked for accuracy, and transactions are analyzed into debit and credit parts.
- \_\_\_\_\_ Journal entries are posted to the general ledger.
- \_\_\_\_\_ Adjusting and closing entries are journalized from the worksheet.
- \_\_\_\_\_ A post-closing trial balance of the general ledger is prepared.
- \_\_\_\_\_ Financial Statements are prepared from the worksheet.
- \_\_\_\_\_ Adjusting and closing entries are posted to the general ledger.

**Account Identification**

**Directions: For each account name listed below, specify its classification, its normal balance, and on which financial statement the account appears.**

**Classification**

A=Asset  
 L=Liability  
 OE=Owner's Equity  
 R=Revenue  
 E=Expense

**Normal Balance**

DR=Debit  
 CR=Credit  
 N=Neither

**Financial Statement**

BS=Balance Sheet  
 IS=Income Statement

<b>Account Name</b>	<b>Classification</b>	<b>Normal Balance</b>	<b>Financial Statement</b>
Cash	_____	_____	_____
Sales	_____	_____	_____
Accts. Receivable	_____	_____	_____
Accounts Payable	_____	_____	_____
Insurance Expense	_____	_____	_____
Withdrawals	_____	_____	_____
Supplies	_____	_____	_____

**Problem 1-Financial Transactions-Great Adventures Inc.**

In June of the current year, Edward Stern started a business called Great Adventures Inc. The business provides adventure trips throughout the United States, such as climbing mountains in the Rockies and snow-skiing in Vermont. Great Adventures uses the following Chart of Accounts and is to be used to journalize the business transactions that are listed below the chart of accounts.

**GREAT ADVENTURES  
Chart of Accounts**

110	Cash	410	Sales
120	Accounts Receivable-Colorado State University	510	Advertising Expense
130	Accounts Receivable-University of Vermont	520	Insurance Expense
140	Supplies	530	Rent Expense
150	Prepaid Insurance	540	Repair Expense
210	Accounts Payable-Morris Supplies	550	Supplies Expense
220	Accounts Payable-Harris Supplies	560	Utilities Expense
310	Edward Stern, Capital		
320	Edward Stern, Drawing		

**Instructions: Journalize the following business transactions for June for Great Adventures Inc.**

June	1	Edward Stern invested \$20,000 cash into the new business, R1
	2	Paid \$2,100 rent expense for the month with C1
	3	Paid \$150 for the electric bill with C2
	4	Paid \$450 for supplies with C3
	5	Paid \$1,400 for insurance for his business with C4
	8	Bought supplies on account from Morris Supplies for \$700, M1
	12	Received cash from sales totaling \$1,800, R2
	13	Paid cash for repairs for the business, total amount \$275, C5
	15	Sold \$525 of services on account to Colorado State University, S1
	17	Paid \$125 for advertising with C6.
	18	Ed Stern, the owner withdrew \$250 cash to entertain clients, M2
	19	Paid \$350 cash on account to Morris Co. with C7
	20	Received cash from sales totaling \$1,200, R3
	22	Sold services on account to the University of Vermont for \$650, S2
	28	Bought supplies on account from Harris Supplies for \$225, M3



**Problem #2: Petrol Company-Balance Sheet and Income Statements**

The General Ledger account balances for the Petrol Company are listed below. Create an Income Statement for the month ended September 30 and a balance sheet for September 30 of the current year.

Cash	\$10,354
Accounts Receivable-Nevers	2,128
Accounts Receivable-Janesko	1,236
Office Supplies	958
Equipment	6,602
Accounts Payable-Longshore Supply	3,427
Accounts Payable-Graham Supply	1,265
Michael Phillips, Capital	12,407
Michael Phillips, Drawing	1,800
Sales	11,920
Advertising Expense	725
Delivery Expense	832
Maintenance Expense	1,248
Rent Expense	1,750
Repair Expense	549
Utility Expense	837







# FUNDAMENTAL ACCOUNTING (01) KEY

## Regional– 2010

Multiple Choice (30 @ 2 points each) \_\_\_\_\_ (60 pts.)

Accounting Cycle for a business (8 @ 3 points each)

Account Identification (7 @ 3 points each) \_\_\_\_\_ (45 pts.)

### **Production Portion**

Problem 1: Great Adventures

(15 @ 6 points each) \_\_\_\_\_ (90 pts.)

Problem 2: Petrol Inc.

Income Statement \_\_\_\_\_ (25 pts.)

Balance Sheet \_\_\_\_\_ (30 pts.)

**TOTAL POINTS** \_\_\_\_\_ **(250)**

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

Please double-check and verify all scores!

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**Multiple Choice Questions**

- |              |              |
|--------------|--------------|
| <b>1. B</b>  | <b>16. C</b> |
| <b>2. C</b>  | <b>17. D</b> |
| <b>3. A</b>  | <b>18. B</b> |
| <b>4. D</b>  | <b>19. C</b> |
| <b>5. C</b>  | <b>20. B</b> |
| <b>6. B</b>  | <b>21. A</b> |
| <b>7. B</b>  | <b>22. A</b> |
| <b>8. A</b>  | <b>23. B</b> |
| <b>9. B</b>  | <b>24. C</b> |
| <b>10. C</b> | <b>25. A</b> |
| <b>11. B</b> | <b>26. D</b> |
| <b>12. D</b> | <b>27. D</b> |
| <b>13. B</b> | <b>28. C</b> |
| <b>14. A</b> | <b>29. B</b> |
| <b>15. A</b> | <b>30. A</b> |



### **The Accounting Cycle for a Business**

- 4 A worksheet, including a trial balance, is prepared from the general ledger.
- 2 Transactions from information on source documents are recorded in a journal.
- 1 Source documents are checked for accuracy and transactions are analyzed into debit and credit parts.
- 3 Journal entries are posted to the general ledger.
- 6 Adjusting and closing entries are journalized from the worksheet.
- 8 A post-closing trial balance of the general ledger is prepared.
- 5 Financial Statements are prepared from the worksheet.
- 7 Adjusting and closing entries are posted to the general ledger.



**Classification**  
**Statement**

**Normal Balance**

**Financial**

A=Asset

DR=Debit

BS=Balance Sheet

L=Liability

CR=Credit

IS=Income Statement

OE=Owner's Equity

N= Neither

R=Revenue

E=Expense

**Accounting Identification**

<b>Account Name</b>	<b>Classification</b>	<b>Normal Balance</b>	<b>Financial Statement</b>
Cash	A	DR	BS
Sales	R	CR	IS
Accounts Rec.	A	DR	BS
Accounts Payable	L	CR	BS
Insurance Expense	E	DR	IS
Withdrawals	OE	DR	BS
Supplies	A	DR	BS



**Problem 1-Financial Transactions-Great Adventures, Inc. (90 points)**

**NOTE TO GRADER:** *Each transaction is worth 6 points. (1 point per answer)  
 Credits are indented for easy grading. Do not count off.*

DATE		ACCOUNT TITLE	Doc No.	Post Ref	DEBIT	CREDIT
June	1	Cash	R1		\$20,000	
		Stern, Capital				\$20,000
	2	Rent Expense	C1		\$ 2,100	
		Cash				\$ 2,100
	3	Utility Expense	C2		\$ 150	
		Cash				\$ 150
	4	Supplies	C3		\$ 450	
		Cash				\$ 450
	5	Prepaid Insurance	C4		\$ 1,400	
		Cash				\$ 1,400
	8	Supplies	M1		\$ 700	
		Accounts Pay-Morris Supplies				\$ 700
	12	Cash	R2		\$ 1,800	
		Sales				\$ 1,800
	13	Repairs Expense	C5		\$ 275	
		Cash				\$ 275
	15	Accounts Rec-Colorado State U	S1		\$ 525	
		Sales				\$ 525
	17	Advertising Expense	C6		\$ 125	
		Cash				\$ 125
	18	Stern, Drawing	C7		\$ 250	
		Cash				\$ 250
	19	Accounts Payable-Morris Supplies	C8		\$ 350	
		Cash				\$ 350
	20	Cash	S1		\$ 1,200	

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		<b>Sales</b>				<b>\$ 1,200</b>
	<b>22</b>	<b>Accounts Rec-U of Vermont</b>	<b>R3</b>		<b>\$ 650</b>	
		<b>Sales</b>				<b>\$ 650</b>
	<b>28</b>	<b>Supplies</b>	<b>M2</b>		<b>\$ 225</b>	
		<b>Accounts Pay-Harrison Supplies</b>				<b>\$ 225</b>



**Problem 2-Petrol Company-Income Statement (25 Points)**

**NOTE TO GRADER:** *Each cell is worth one point which equals 23 points. One additional point for the double underlined total, and one point for expenses being in alphabetical order.*

<b>PETROL COMPANY</b>		
<b>Income Statement</b>		
<b>For the Month Ended September 30,2009</b>		
<b>Revenue:</b>		
<b>Sales</b>		<b>11,920</b>
<b>Expenses:</b>		
<b>Advertising Expense</b>	<b>725</b>	
<b>Delivery Expense</b>	<b>832</b>	
<b>Maintenance Expense</b>	<b>1,248</b>	
<b>Rent Expense</b>	<b>1750</b>	
<b>Repair Expense</b>	<b>549</b>	
<b>Utility Expense</b>	<b>837</b>	
<b>Total Expenses</b>		<b>5941</b>
<b>Net Income</b>		<b>5,979</b>

