

ADVANCED ACCOUNTING (110)

—Secondary—

REGIONAL – 2016

Multiple Choice (20 @ 2 points each)	_____	(40 points)
Short Answer	_____	(50 points)
Problem 1 – Inventory	_____	(27 points)
Problem 2 – Uncollectible Accounts	_____	(30 points)
Problem 3 – Plant Asset Entries	_____	(37 points)
<i>TOTAL POINTS</i>	_____	<i>(184 points)</i>

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 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!

Round calculations to two decimal places unless instructed otherwise.

Use 360 days for calculating interest.

Multiple Choice Questions (2 points each)

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

1. Using the allowance method, what is the effect on the book value of accounts receivable when writing off an account?
 - a. Book value decreases
 - b. Book value increases
 - c. Book value remains the same
 - d. Not enough information given

2. Goods which are given to a business to sell, but for which the title to the goods remains with the vendor are
 - a. on consignment.
 - b. unearned revenue.
 - c. in transit.
 - d. FOB shipping point.

3. Recording depreciation expense on a plant asset is an application of what concept?
 - a. Going concern
 - b. Business entity
 - c. Consistent reporting
 - d. Matching expenses with revenue

4. The general ledger balance of Merchandise Inventory equals \$214,300. An actual inventory count shows merchandise on hand to be \$216,700. What account, and how much, will be debited on the adjusting entry?
 - a. Income Summary \$2,400
 - b. Merchandise Inventory \$2,400
 - c. Income Summary \$216,700
 - d. Merchandise Inventory \$216,700

5. At the end of a fiscal period, any revenue that has been earned and not yet collected should be credited to a(n)
 - a. asset account.
 - b. liability account.
 - c. expense account.
 - d. revenue account.

6. The value of an asset determined by tax authorities for the purpose of calculating taxes is
 - a. book value.
 - b. assessed value.
 - c. market value.
 - d. salvage value.

7. The decrease in the value of a plant asset because of the removal of a natural resource is called
 - a. depreciation.
 - b. write-down.
 - c. erosion.
 - d. depletion.

8. What account is credited on the reversing entry for accrued interest expense?
 - a. Interest Expense
 - b. Interest Payable
 - c. Notes Payable
 - d. Income Summary

9. Title to the goods passes to the buyer when the buyer receives the goods under
 - a. consignment.
 - b. LIFO.
 - c. FOB shipping point.
 - d. FOB destination point.

10. Cost of Goods Sold equals
 - a. Net sales minus gross profit.
 - b. Net sales minus operating expenses.
 - c. Net purchases minus ending inventory.
 - d. Net purchases plus ending inventory.

11. The entry to record an Internet sale is a credit to Sales and a debit to
 - a. Accounts Receivable.
 - b. Cash.
 - c. Trade Draft Receivable.
 - d. Credit Card Fee Expense.

12. An amount earned by a corporation and not yet distributed to shareholders is
 - a. retained earnings.
 - b. net income.
 - c. capital stock.
 - d. stockholders' equity.

13. All plant assets *except* _____ are depreciated.
 - a. building
 - b. land
 - c. truck
 - d. delivery equipment

14. Paid-in Capital in Excess of Par appears on the
 - a. Income Statement and Statement of Stockholders' Equity.
 - b. Balance Sheet and Income Statement.
 - c. Balance Sheet and Cash Flows Statement.
 - d. Balance Sheet and Statement of Stockholders' Equity.

15. Paying cash for merchandise inventory would be listed on the statement of cash flows as
 - a. an operating activity.
 - b. an investing activity.
 - c. a financing activity.
 - d. a credit activity.

16. Common stock has what advantage over preferred stock?
 - a. dividend payments
 - b. lower par value
 - c. market capitalization
 - d. voting rights

17. In a period of rising prices, using FIFO rather than LIFO results in
 - a. higher ending inventory valuation and lower net income.
 - b. higher ending inventory valuation and higher net income.
 - c. higher cost of merchandise sold and higher net income.
 - d. lower cost of merchandise sold and lower net income.

18. Which of the following is an advantage of the corporate form of business?
 - a. Easier to start
 - b. Limited liability of stockholders
 - c. Less government regulation
 - d. Owner runs the business

19. The amount paid on the maturity date of a notes payable is the
 - a. principal.
 - b. interest.
 - c. maturity value.
 - d. accrual.

20. A journal entry for a customer dishonoring a note receivable would be recorded in the
 - a. cash receipts journal.
 - b. cash payments journal.
 - c. sales journal.
 - d. general journal.

Short Answer

1. For each account, identify whether the account is an asset (A), liability (L), stockholders' equity (SE), revenue (R), cost (C), or expense (E) item, identify whether the account will appear on the income statement (IS) or balance sheet (BS), and identify the normal balance (DR or CR) of the account. (30 points - 1 point each)

Account	Asset, Liability, Stockholders' Equity, Revenue, Cost, or Expense	Income Statement or Balance Sheet	Normal Balance – Debit or Credit
Preferred Stock			
Accumulated Depreciation			
Social Security Tax Payable			
Purchases			
Unearned Rent			
Merchandise Inventory			
Supplies Expense			
Dividends - Common			
Truck			
Sales Returns			

2. Your company accepts a \$7,000, 5.5%, 90-day note from a customer on October 21, 2015. Calculate interest earned for 2015 and 2016, and the maturity date of the note. (2 points each)

Interest for 2015 _____

Interest for 2016 _____

Maturity Date _____

3. Batter Up, Inc. has 265,000 shares of stock outstanding with a current market price of \$23.14. Its earnings for 2015 were \$418,320. Find its EPS and P/E Ratio. (2 points each)

EPS _____

P/E Ratio _____

4. Active Incorporated's financial statements for 2015 showed the following information:

Sales	-	\$245,560
Sales Discount	-	\$31,400
Cost of Merchandise Sold	-	\$127,210
Operating Expenses	-	\$39,800
Federal Income Tax Expense	-	\$15,845
Beginning Retained Earnings	-	\$85,205
Dividends declared for 2015	-	\$12,000
Capital Stock	-	\$125,000

Find the following (*2 points each*):

Gross Profit _____

Gross Profit % _____

Net Income after Tax _____

Ending Retained Earnings _____

Return on Equity _____

Problem 1 (27 points – Each answer worth 3 points)

Selected data for Gray Corp is shown below. Complete the table below using the FIFO, LIFO, and Weighted Average method of inventory costing.

Beginning merchandise inventory	-	12 units @ \$150.75 each
Purchase on March 14	-	16 units @ \$162.35 each
Purchase on June 2	-	20 units @ \$180.15 each
Purchase on October 12	-	15 units @ \$168.40 each
Purchase on December 6	-	14 units @ \$160.05 each
Ending merchandise inventory	-	30 units
Sales	-	\$51,500

Inventory Costing Method	FIFO	LIFO	Weighted Average
Ending Inventory			
Cost of Merchandise Sold			
Gross Profit			

Problem 2 (30 points)

The following information is taken from the accounts receivable records of Tanner Supplies as of December 31, 2015. Tanner Supplies uses the Allowance method to account for its uncollectible accounts. Complete the aging table below by filling in the Totals and Uncollectible rows.

(1 point each)

Customer	Account Balance	Not Yet Due	1-30 days past due	31-60 days past due	61-90 days past due	> 90 days past due
George Smit	410.15		410.15			
Tracy Chan	141.50			141.50		
Marie Rodriguez	1,356.75	920.00		436.75		
Chad Fitters	85.30	85.30				
Katie Reese	589.20				589.20	
Emmanuelle Ruiz	365.24	155.24	210.00			
Jan Pawelski	274.20					274.20
Totals						
Percentages		0.1%	0.5%	1.25%	6.5%	50.0%
Uncollectible						

Use the above table to calculate the following:

Total Accounts Receivable Balance _____ (3 pts.)

Total Amount of Estimated Uncollectible _____ (3 pts.)

The current balance of Allowance for Uncollectible Accounts shows a debit of \$31.65. Record the appropriate adjusting entry for Uncollectible Accounts Expense below:

Account Debited _____ (3 pts.) Amount _____ (3 pts.)

Account Credited _____ (3 pts.) Amount _____ (3 pts.)



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



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ANSWER KEY
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Multiple Choice Questions

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



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ANSWER KEY
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Short Answer

1. Graders: Contestants may write the classification out in full. Still give them credit for their answer. (1 point – 30 total)

Account	Asset, Liability, Stockholders' Equity, Revenue, Cost, or Expense	Income Statement or Balance Sheet	Normal Balance – Debit or Credit
Preferred Stock	SE	BS	Cr
Accumulated Depreciation	A	BS	Cr
SS Tax Payable	L	BS	Cr
Purchases	C	IS	Dr
Unearned Rent	L	BS	Cr
Merchandise Inventory	A	BS	Dr
Supplies Expense	E	IS	Dr
Dividends - Common	SE	BS	Dr
Truck	A	BS	Dr
Sales Returns	R	IS	Dr

2. (2 points each)

Interest for 2015 \$75.93

Interest for 2016 \$20.32

Maturity Date January 19, 2016

3. (2 points each)

EPS \$1.58

P/E Ratio 14.7 or 14.71



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ANSWER KEY
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4. (2 points each)

Gross Profit	<u> \$86,950</u>
Gross Profit %	<u> 40.6%</u>
Net Income after Tax	<u> \$31,305</u>
Ending Retained Earnings	<u> \$104,510</u>
Return on Equity	<u> 13.6%</u>

Problem 1 (27 points – Each answer worth 3 points)

Inventory Costing Method	FIFO	LIFO	Weighted Average
Ending Inventory	\$4,946.85	\$4,766.90	\$4,977.90
Cost of Merchandise Sold	\$7,829.45	\$8,009.40	\$7,798.40
Gross Profit	\$43,670.55	\$43,490.60	\$43,701.60

Problem 2 (30 points)

Grader – Each item in shaded area = 1 point

Customer	Account Balance	Not Yet Due	1-30 days past due	31-60 days past due	61-90 days past due	> 90 days past due
George Smit	410.15		410.15			
Tracy Chan	141.50			141.50		
Marie Rodriguez	1,356.75	920.00		436.75		
Chad Fitters	85.30	85.30				
Katie Reese	589.20				589.20	
Emmanuelle Ruiz	365.24	155.24	210.00			
Jan Pawelski	274.20					274.20
Totals	3,222.34	1,160.54	620.15	578.25	589.20	274.20
Percentages		0.1%	0.5%	1.25%	6.5%	50.0%
Uncollectible	186.89	1.16	3.10	7.23	38.30	137.10

Total Accounts Receivable Balance **\$3,222.34** (3 pts.)

Total Amount of Estimated Uncollectible **\$186.89** (3 pts.)

Account Debited **Uncollectible Accounts Expense** (3 pts.) Amount **\$218.54** (3 pts.)

Account Credited **Allowance for Uncollectible Accounts** (3 pts.) Amount **\$218.54** (3 pts.)



Problem 3 – Journalizing Plant Asset Entries (37 points – 1 point for account and amount, plus 1 point for adjusting entry wording)

General Journal

Date	Description	Doc	Debit	Credit
Apr 25	Equipment	C205	\$2,200	
	Cash			\$2,200
June 10	Depreciation Expense - Furniture	M52	\$500	
	Accumulated Depreciation - Furniture			\$500
June 10	Cash	R107	\$750	
	Accumulated Depreciation - Furniture		\$2,700	
	Loss on Plant Assets		\$50	
	Furnishings			\$3,500
Oct 3	Accumulated Depreciation - Equipment	C347	\$1,100	
	Equipment		\$3,200	
	Equipment			\$2,900
	Cash			\$1,400
Oct 24	Accumulated Depreciation - Equipment	R185	\$8,050	
	Cash		\$2,000	
	Equipment			\$9,500
	Gain on Plant Assets			\$550
	Adjusting Entry			
Dec 31	Depreciation Expense - Equipment		\$266.67	
	Accumulated Depreciation - Equipment			\$266.67