

ADVANCED ACCOUNTING (110)

—Secondary—

REGIONAL – 2018

Multiple Choice (20 @ 2 points each)	_____	(40 points)
Short Answer	_____	(55 points)
Problem 1 – Inventory Costing	_____	(30 points)
Problem 2 – Uncollectible Accounts	_____	(22 points)
Problem 3 – Financial Analysis	_____	(60 points)
<i>TOTAL POINTS</i>	_____	<i>(207 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 ninety (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 ninety (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 (2 points each)

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

1. Using the allowance method, which entry will *decrease* the book value of Accounts Receivable?
 - a. Adjusting entry
 - b. Closing entry
 - c. Writing off the account
 - d. Reopening the account

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

3. Expenses paid in one fiscal period but not reported as expenses until a later fiscal period are known as _____.
 - a. accrued expenses
 - b. postponed expenses
 - c. postpaid expenses
 - d. prepaid expenses

4. An entry that is the exact opposite of an adjustment is a(n) _____.
 - a. closing entry
 - b. adjusting entry
 - c. reversing entry
 - d. opening entry

5. Ashton Company recently spent \$10,000 to repaint its warehouse, which originally cost \$200,000. The painting is expected to last two years. What is the recorded cost of the warehouse after the painting is completed?
 - a. \$195,000
 - b. \$200,000
 - c. \$205,000
 - d. \$210,000

6. The decrease in the value of a plant asset because of the removal of a natural resource is _____.
 - a. depletion
 - b. depreciation
 - c. amortization
 - d. salvage value

7. Using the double-declining balance method, you *cannot* depreciate below an asset's _____.
 - a. cost
 - b. annual depreciation
 - c. market value
 - d. salvage value

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. Goods that are given to a business to sell but for which title remains with the vendor are _____.
 - a. on consignment
 - b. purchased
 - c. rented
 - d. on sale

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. When recording an entry in the Purchases journal, what is written in the Account Credited column?
 - a. Name of the Customer
 - b. Name of the business receiving the goods
 - c. Name of the vendor
 - d. Amount credited

12. A company's average number of days for payment is 47. What is its accounts receivable turnover ratio, rounded to the nearest tenth?
 - a. 7.0
 - b. 7.7
 - c. 7.8
 - d. 8.0

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

14. A business that uses the same inventory costing method for all fiscal periods is applying the accounting concept _____.
 - a. Consistent Reporting
 - b. Adequate Disclosure
 - c. Accounting Period Cycle
 - d. Matching Expenses with Revenue

15. In a year of rising prices, the inventory method that gives the highest possible value for ending inventory is _____.
 - a. FIFO
 - b. Weighted average
 - c. LIFO
 - d. Gross Profit estimate

16. Expensing the cost of an asset over the asset's useful life is an application of the concept _____.
 - a. Going Concern
 - b. Historical Cost
 - c. Accounting Period Cycle
 - d. Matching Expenses with Revenue

17. The reversing entry for accrued interest earned includes _____.
 - a. a debit to Interest Income
 - b. a credit to Interest Income
 - c. a debit to Interest Expense
 - d. a credit to Interest Expense

18. The issuance of stock would be listed in the _____ section of the Cash Flows Statement.
 - a. investing activities
 - b. operating activities
 - c. financing activities
 - d. selling activities

19. Which of the following would be a current asset?
 - a. Truck
 - b. Unearned Rent
 - c. Prepaid Insurance
 - d. Land

20. Which statement would *not* be used for a sole proprietorship?
 - a. Balance Sheet
 - b. Distribution of Net Income Statement
 - c. Income Statement
 - d. Post-Closing Trial Balance

SHORT ANSWER

1. 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)
Petty Cash			
Prepaid Rent			
Income Tax Payable			
Sales Discount			
Preferred Stock			
Fees			
Time Draft Receivable			
Insurance Expense			
Income Summary			
Retained Earnings			
Purchases			

2. Stitch-in-Time signs a 90-day, 4.5%, \$3,500 note on November 4, 2018. Give the adjusting entry on December 31, 2018. **(2 points each)**

Account Debited _____ Amount _____

Account Credited _____ Amount _____

- a. What is the interest incurred for 2018? _____
- b. What is the maturity date? _____

3. Kepler Corp. bought a piece of equipment on March 28, 2018 for \$6,400. The equipment is expected to last five years, and have a salvage value of \$1,900. Kepler uses Straight-Line depreciation. **(2 points each)**
 - a. What is the depreciation expense for 2018? _____
 - b. What is the depreciation expense for 2019? _____
 - c. What is the book value of the equipment at the end of 2019? _____
 - d. If Kepler sells the equipment on July 2, 2020 for \$4,775, will they recognize a gain or a loss on the sale of the plant asset? _____
 - e. What is the amount of the gain or loss? _____

Problem 1 – Inventory Costing (5 points each)

The following information shows the beginning inventory and purchases made by Lexington Mowers for model AT10 during 2017.

Beginning merchandise inventory – 10 mowers @ \$750 each
 Purchase on January 20 – 8 mowers @ \$775 each
 Purchase on March 14 – 12 units @ \$810 each
 Purchase on June 21 – 15 units @ \$865 each
 Purchase on October 5 – 8 units @ \$870 each
 Ending mowers on hand – 24 units

Find the ending inventory and gross profit using FIFO, LIFO, and Weighted-average costing methods (round the Weighted average cost per unit to the nearest whole dollar). Assume Net Sales of \$85,750.

	FIFO	LIFO	Weighted Average
Ending Inventory	_____	_____	_____
Gross Profit	_____	_____	_____

Problem 3 – Financial Analysis (60 points) – Elliott Inc. shows the following data at the end of 2017:

Cash - \$67,125	Sales - \$324,265
Net Accounts Receivable - \$18,461	Sales Discount - \$19,635
Merchandise Inventory - \$124,675	Cost of Merchandise Sold - \$143,680
Supplies - \$6,213	Operating Expenses - \$86,410
Net Equipment - \$78,952	Beginning Retained Earnings - \$60,573
Current Liabilities - \$68,948	Dividends - \$20,000
Capital Stock - \$125,000	Shares of stock outstanding – 60,000
	Current Stock Price - \$34.72

Federal Income Tax = \$7,500 + 25% of the amount of income before tax over \$50,000

Find the following. Round percentages to the nearest 0.1% (5 points each):

Net Income after Tax _____	Working Capital_____
Ending Retained Earnings_____	Current Ratio_____
Gross Profit Percentage_____	Debt Ratio_____
Return on Sales_____	Debt to Equity Ratio_____
Return on Assets_____	EPS_____
Return on Equity_____	P/E Ratio_____



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

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Multiple Choice—(20 @ 2 pts. each)

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

Short Answer Problems

1. Each answer worth 1 point. (33 points total) **Note to Grader – If students spell out answers, or if they put D or C as Normal Balance, count as correct.

Account	Classification (A, L, SE, R, CM, E)	Financial Statement (IS, SOSE, BS, None)	Normal Balance (Dr, Cr, None)
Petty Cash	A	BS	DR
Prepaid Rent	A	BS	DR
Income Tax Payable	L	BS	CR
Sales Discount	R	IS	DR
Preferred Stock	SE	BS AND SOSE	CR
Fees	R	IS	CR
Time Draft Receivable	A	BS	DR
Insurance Expense	E	IS	DR
Income Summary	SE	N	N
Retained Earnings	SE	BS AND SOSE	CR
Purchases	CN	IS	DR



2. (2 points each)

Account Debited Interest Expense Amount \$24.94

Account Credited Interest Payable Amount \$24.94

a. \$24.94 b. February 2, 2019

3. (2 points each)

a. \$675

b. \$900

c. \$4,825

d. Gain

e. \$400

Problem 1 – Inventory Costing (5 points each; 30 points total)

	FIFO	LIFO	Weighted Average
Ending Inventory	<u>\$20,745</u>	<u>\$18,560</u>	<u>\$19,632</u>
Gross Profit	<u>\$63,140</u>	<u>\$60,955</u>	<u>\$62,028</u>



Problem 2 – Allowance Method of Uncollectibles (1 point per account and per amount; 22 points total)

****Notes to Grader - Allowance for Uncollectible Accounts might be called Allowance for Doubtful Accounts, or something similar. Accounts Receivable could be written as A/R. Accept as correct. Entry on April 17th could be done as two separate entries (DR Cash, CR A/R – Erin Gordy for 240 – Then DR Allowance for UA, CR A/R – Erin Gordy for 240) Accept as correct**

DATE	ACCOUNT	DEBIT	CREDIT
Jan 14	Allowance for Uncollectible Accounts	752	
	Accounts Receivable / Keith Pritchard		752
Apr 17	Cash	240	
	Allowance for Uncollectible Accounts	240	
	Accounts Receivable / Erin Gordy		480
Sept 25	Accounts Receivable / Keith Pritchard	300	
	Allowance for Uncollectible Accounts		300
Sept 25	Cash	300	
	Accounts Receivable / Keith Pritchard		300
Dec 31	Uncollectible Accounts Expense (or Bad Debts)	1,696	
	Allowance for Uncollectible Accounts		1,696

Problem 3 – Financial Analysis (5 points each; 60 points total)

Net Income after Tax	<u>\$60,905</u>	Working Capital	<u>\$147,526</u>
Ending Retained Earnings	<u>\$101,478</u>	Current Ratio	<u>3.1 or 3.14</u>
Gross Profit Percentage	<u>52.8%</u>	Debt Ratio	<u>23.3%</u>
Return on Sales	<u>20.0% or 24.5%</u>	Debt to Equity Ratio	<u>30.4%</u>
Return on Assets	<u>20.6%</u>	EPS	<u>\$1.02</u>
Return on Equity	<u>26.9%</u>	P/E Ratio	<u>34.0 or 34.04</u>