

FUNDAMENTAL ACCOUNTING (01)

Regional– 2008

Authored by Edward Steinlauf

TOTAL POINTS _____ **(202)**

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

Property of Business Professionals of America.
May be reproduced only for use in the Business Professionals of America
Workplace Skills Assessment Program competition.

General Instructions

You have been hired as an Accounting Analyst and will be keeping the accounting records for Trump Business Associates, located at 711 Fifth Avenue, New York, NY. Trump Business Associates provides accounting and financial services for their clients. You will complete jobs for Trump Business Associates' own accounting records, as well as for their clients.

You will have 90 minutes to complete your work. The test is divided into two parts. The multiple choice and account identification portions 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 upper right-hand corner of each page. Staple all pages in order before you turn in your test.

Good luck!

**FUNDAMENTAL ACCOUNTING
REGIONAL 2008
PAGE 3 of 14**

MULTIPLE CHOICE QUESTIONS:

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

1. Which of the following is **not** an appropriate form of business organization? ____
 - A. The Sole Proprietorship
 - B. The Partnership
 - C. The Corporation
 - D. The Charter

2. An accounting system is the process of _____ financial events or transactions of a business.
 - A. Matching
 - B. Reporting
 - C. Developing
 - D. Organizing

3. The accounting principle that states that a business will operate long enough to carry out its operations and meet future obligations is a _____.
 - A. Business Entity
 - B. Time Period
 - C. Going Concern
 - D. Matching Principle

4. The organization whose main concern is the development of standards of professional practice for its members is known as the _____.
 - A. Financial Accounting Standards Board (FASB)
 - B. American Institute of Certified Public Accountants (AICPA)
 - C. Securities and Exchange Commission (SEC)
 - D. Internal Revenue Service (IRS)

5. Accounts used to accumulate information until it is transferred to the owner's capital account are called _____.
 - A. Signature Accounts
 - B. Financial Accounts
 - C. Temporary Accounts
 - D. Permanent Accounts

6. The principles of right and wrong that guide an individual in making sound business decisions are called _____.
 - A. Ethics
 - B. Judgments
 - C. Edicts
 - D. Accounting Principles

7. The Income Statement shows _____.
 - A. Assets and Liabilities
 - B. Revenues and Expenses
 - C. The results of operations on a specific date
 - D. The financial position over a period of time

**FUNDAMENTAL ACCOUNTING
REGIONAL 2008
PAGE 4 of 14**

8. What legal document gives a corporation permission to operate? _____
 A. Decree
 B. Deed
 C. Charter
 D. Doctrine
9. If a business has invested \$50,000 in an asset that costs \$75,000; what is the amount of its liability? _____
 A. \$25,000
 B. \$50,000
 C. \$75,000
 D. \$125,000
10. If a business has liabilities of \$60,000 and assets of \$238,000; what is the amount of owner's equity? _____
 A. \$ 60,000
 B. \$298,000
 C. \$178,000
 D. \$238,000
11. Michael Stone of Stone Diagnostics bought office furniture on account for his business. The entry should be _____
- | <u>Debit</u> | <u>Credit</u> |
|---------------------|------------------|
| A. Cash | Office Furniture |
| B. Office Furniture | Cash |
| C. Office Furniture | Accounts Payable |
| D. Accounts Payable | Office Furniture |
12. John Templeton, owner of Templeton Associates, receives a check for \$1,500 from a client for preparing a report. The entry should be _____
- | <u>Debit</u> | <u>Credit</u> |
|------------------------|------------------|
| A. Cash | Fees Earned |
| B. Accounts Receivable | Fees Earned |
| C. Accounts Payable | Fees Earned |
| D. Cash | Accounts Payable |

Listed below are the account titles and account balances for a business owned by Barry Hickman.

Accounts Payable	\$6,000	Equipment	\$15,000
Accounts Receivable	\$3,000	Barry Hickman, Capital	\$19,000
Cash in Bank	\$5,000	Office Supplies	\$ 2,000

13. What are the total assets of Barry Hickman's business? _____
 A. \$ 5,000
 B. \$23,000
 C. \$25,000
 D. \$19,000
14. The rule of debits and credits for an asset account is: _____
 A. An increase on the credit side, a decrease on the debit side
 B. An increase on the debit side, a decrease on the credit side
 C. An increase on the debit side, no decrease on the credit side

**FUNDAMENTAL ACCOUNTING
REGIONAL 2008
PAGE 5 of 14**

- D. A decrease on the debit side, increase on the credit side.
15. The rule of debits and credits for a revenue accounts is: ____
- A. An increase on the credit side, a decrease on the debit side
 - B. No decrease on the debit side, no increase on the credit side
 - C. An increase on the credit side, an increase on the debit side
 - D. A decrease on the credit side, a decrease on the debit side
16. For accounting purposes revenue is recognized and recorded on the date it is earned even if cash has not been received on that date. This is known as the ____.
- A. Cash Principle
 - B. Accrual/Revenue Principle
 - C. Matching Principle
 - D. Equity Principle
17. The form that lists specific information about a business transaction involving the buying and selling of an item is ____.
- A. A Receipt
 - B. A Memorandum
 - C. An Invoice
 - D. A Check-stub
18. The term that refers to the ease with which an asset can be converted to cash is ____.
- A. Going Concern
 - B. Priority
 - C. Solvency
 - D. Liquidity

Use the basic accounting equation, with the addition of the temporary capital accounts, to complete the next two questions. Determine the missing amounts for each of the question marks listed below next to the account. There were no additional investments.

Assets	?	Withdrawals	?
Liabilities	\$3,840	Revenue	\$40,163
Owner's Equity, Beginning	\$61,774	Expense	\$21,637

19. If expenses plus withdrawals equal \$27,749; what is the balance in the withdrawal account?
- A. \$4,972
 - B. \$5,212
 - C. \$6,112
 - D. \$8,112
20. What is the balance of the assets account? ____
- A. \$ 78,028
 - B. \$ 87,028
 - C. \$ 67,728
 - D. \$ 71,208
21. If businesses' assets are \$72,640 and liabilities are \$29,780, owner's equity is ____
- A. \$43,680
 - B. \$42,860
 - C. \$41,860
 - D. \$47,860

**FUNDAMENTAL ACCOUNTING
REGIONAL 2008
PAGE 6 of 14**

22. The Balance Sheet section of the worksheet contains the balances of _____
- A. Assets only
 - B. Assets and Liabilities
 - C. Assets, Liabilities and Owners Equity
 - D. Revenue and Expenses
23. The equipment account balance from the Trial Balance section of the Worksheet is extended to the _____ section.
- A. Income Statement
 - B. Balance Sheet
 - C. Revenue
 - D. Statement of Changes
24. When Balance Sheet debit and credit columns are first totaled, the totals are not equal. They are not equal because the amount of net income or net loss for the period is not reflected in the _____ account.
- A. Asset
 - B. Liability
 - C. Revenue
 - D. Capital
25. Which of the following statements correctly describes permanent accounts? _____
- A. No account balances are continuous from one accounting period to the next
 - B. Accounts have a zero balance at the start of each accounting period
 - C. Balances are transferred to the cash account at the end of the accounting period
 - D. Balances at the end of one period are the beginning balances at the start of the next period

During the month of March, Mark had the following transactions involving Revenue and Expenses

- I. Provided services to clients for \$1,800 cash**
- II. Paid utility bills \$350**
- III. Paid salaries to employees \$925**
- IV. Paid for computer repairs \$1,275**
- V. Provided services to clients on account \$2,300**

26. What was Mark's net income or loss for the period? _____
- A. Net Income \$1,900
 - B. Net Loss \$2,550
 - C. Net Income \$1,550
 - D. Net Loss \$ 750
27. If Charles works 48 hours in one week and his hourly rate of pay is \$7.25; and he receives time and one-half for all hours worked over 40 in one week, his gross earnings will be _____
- A. \$290
 - B. \$317
 - C. \$348
 - D. \$377
28. In accounting for a payroll system the amount recorded and posted to the Salaries Expense Account is the total _____ for the period.
- A. Net Deductions
 - B. Net Earnings
 - C. Gross Earnings
 - D. Gross Deductions

**FUNDAMENTAL ACCOUNTING
REGIONAL 2008
PAGE 7 of 14**

29. The type of business that buys goods, for example, clothing and then sells these goods for a profit is a _____ business.
- A. Service
 - B. Merchandising
 - C. Manufacturing
 - D. Wholesale
30. The entry to record merchandise that is sold on account to a customer for \$100 plus 6% sales tax is _____
- A. Debit Accounts Receivable \$100, Debit Sales Tax Payable \$6, Credit Sales \$106
 - B. Debit Sales \$106, Credit Sales Tax Payable \$6, Credit Accounts Receivable \$100
 - C. Debit Accounts Receivable \$106, Credit Sales Tax Payable \$6, Credit Sales \$100
 - D. Debit Accounts Receivable \$106, Credit Sales \$106

**FUNDAMENTAL ACCOUNTING
REGIONAL 2008
PAGE 8 of 14**

ACCOUNT IDENTIFICATION

For each account name below, specify its classification, its normal balance side, and on which financial statement the account appears.

Classification
A=Asset
L=Liability
OE=Owner's Equity
R=Revenue
E=Expense
N=Neither

Normal Balance Side
DR=Debit
CR=Credit
N=Neither

Financial Statement
BS=Balance Sheet
IS=Income Statement
N=Neither

Account Name	Classification	Normal Balance	Financial Statement
Accounts Receivable	_____	_____	_____
Insurance Expense	_____	_____	_____
Supplies	_____	_____	_____
Owner's Equity	_____	_____	_____
Cash	_____	_____	_____
Accounts Payable	_____	_____	_____
Salaries Expense	_____	_____	_____
FICA Tax Payable	_____	_____	_____
Office Equipment	_____	_____	_____
Sales	_____	_____	_____
Payroll Tax Expense	_____	_____	_____
Withdrawals	_____	_____	_____
Income Summary	_____	_____	_____
Federal Tax Payable	_____	_____	_____
Furniture & Fixtures	_____	_____	_____

Problem 1-Financial Transactions

Daniel Trump, a certified public accountant, owns and operates a public accounting office called Trump Associates, CPAs. The list of accounts is provided below and is to be used to journalize the business transactions on the following page.

TRUMP ASSOCIATES
 Chart of Accounts

- 101 Cash
- 110 Accounts Receivable-Robin O'Donnell
- 120 Computer Equipment
- 130 Office Furniture & Equipment
- 210 Accounts Payable-Comp. Systems Inc.
- 220 Accounts Payable-Office Depot
- 301 Daniel Trump, Capital
- 305 Daniel Trump, Withdrawals
- 401 Accounting Fees
- 505 Advertising Expense
- 515 Maintenance Expense
- 545 Rent Expense
- 570 Salaries Expense
- 580 Utilities Expense

March	1	Daniel Trump deposited \$25,000 in cash into the business, Memo #1
	3	Received \$250 for preparing a client's tax return, Receipt #100
	5	Owner invested a desk, chair & lamp, valued at \$370, Memo #2
	8	Completed accounting work for Ms. O'Donnell and billed her \$1,800, Invoice #415
	9	Wrote Check #501 for \$275 for the secretary's salary
	12	Daniel Trump withdrew \$480 for personal use, Check #502
	13	Purchased a microcomputer, monitor, and printer for \$3,600 from Comp. Systems, Inc. on account, Invoice #713
	15	Paid the monthly rent of \$500 by issuing Check #503
	18	Wrote Check #504 to Stein & Sons for painting the office, \$290
	21	Received \$3,800 for completing an audit for a client, Receipt #301
	24	Paid the \$125 electric bill, Check #504
	28	Purchased on credit an additional disk drive for the computer from Office Depot for \$640, Invoice #816
	29	Paid \$125 for local advertising, Check #505
	31	Received a check from Ms. O'Donnell for \$1,500 to apply on her Account, Receipt #302

**FUNDAMENTAL ACCOUNTING
REGIONAL 2008
PAGE 12 of 14**

Problem 2- Income Statement and Balance Sheet

The General Ledger account balances for Benson Caterers are listed below. Create an Income Statement and a Balance Sheet, for the month ended, December 31, 2006. Use the forms that follow.

Ending account balances as of December 31, 2006

Cash in Bank	\$4,956
Accounts Receivable-Ronald Knight	1,324
Accounts Receivable-Jane Rivers	1,217
Catering Supplies	1,828
Office Equipment	10,353
Delivery Equipment	8,291
Accounts Payable-Lagasi Supply	3,972
Accounts Payable-Graham Co.	2,847
Accounts Payable-Parks Supply	1,285
Carl Benson, Capital	16,408
Carl Benson, Withdrawals	1,800
Catering Revenue	9,989
Party Revenue	2,420
Advertising Expense	734
Delivery Expense	802
Maintenance Expense	1,283
Miscellaneous Expense	948
Rent Expense	1,950
Repair Expense	579
Utility Expense	856



FUNDAMENTAL ACCOUNTING (01) KEY

Regional– 2008

Multiple Choice (30 @ 1 points each) _____ (30 pts.)

Account Identification (15 @ 3 points each) _____ (45 pts.)

Production Portion

Problem 1: Financial Transactions _____ (42 pts)
(14 @ 3 points each)

Problem 2 : Income Statement _____ (40 pts)

Balance Sheet _____ (45 pts)

TOTAL POINTS _____ (202 pts)

Judges/Graders:

Please double-check and verify all scores!

Property of Business Professionals of America.
May be reproduced only for use in the Business Professionals of America
Workplace Skills Assessment Program competition.



Multiple Choice Questions- 1 point each

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



ACCOUNT IDENTIFICATION

For each account name below, specify its classification, its normal balance side, and on which financial statement the account appears.

GRADERS: for each account – one point for classification, one point for normal balance, and one point for the financial statement.

Account Name	Classification	Normal Balance	Financial Statement
Accounts Receivable	A	DR	BS
Insurance Expense	E	DR	IS
Supplies	A	DR	BS
Owner's Equity	OE	CR	BS
Cash	A	DR	BS
Accounts Payable	L	CR	BS
Salaries Expense	E	DR	IS
FICA Tax Payable	L	CR	BS
Office Equipment	A	DR	BS
Sales	R	CR	IS
Payroll Tax Expense	E	DR	IS



Withdrawals	OE	DR	N
Income Summary	N or OE	N	N
Federal Tax Payable	L	CR	BS
Furniture & Fixtures	A	DR	BS

