

ADVANCED ACCOUNTING (110) —Secondary— REGIONAL – 2020

CONCEPT KNOWLEDGE:

Multiple Choice (25 @ 2 points each) _____ (50 points)

APPLICATION KNOWLEDGE:

Short Answer (16 @ 3 points each) _____ (48 points)

Job 1: Account Classification (75 @ 1 point each) _____ (75 points)

Job 2: Inventory Valuation (21 @ 2 points each) _____ (42 points)

Job 3: Depreciation Methods (19 @ 2 points each) _____ (38 points)

TOTAL POINTS _____ ***(253 points)***

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- 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 and will be keeping the accounting records for Professional Business Associates, 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' own accounting records, as well as for clients.

You will have 90 minutes to complete your work. The test is divided into two parts: concept knowledge and application of knowledge.

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.

Assumptions to make when taking this assessment:

- Round calculations at the final step to two decimals.
- Round all percentages to one decimal place.
- Use 360 days for interest calculations.

MULTIPLE CHOICE

Directions: Read each question carefully and place the answer that best matches the question or statement on the Scantron sheet or directly on the test copy.

1. 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.

2. Using the sum-of-the-years' depreciation method, you cannot depreciate below an asset's
 - a. cost.
 - b. annual depreciation.
 - c. salvage value.
 - d. market value.

3. Which of the following inventory systems maintains a constant, up-to-date record of merchandise on hand?
 - a. First-in, first out system
 - b. Last-in, first out system
 - c. Periodic inventory system
 - d. Perpetual inventory system

4. Which type of accounts are closed at the end of a fiscal period?
 - a. all temporary accounts
 - b. all permanent accounts
 - c. all capital accounts
 - d. all contra accounts

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

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

7. The rules that govern accounting in the United States are called
 - a. Generally Acknowledged Accounting Standards.
 - b. Generally Accepted Accounting Principles.
 - c. Generally Allowed Accounting Principles.
 - d. International Financial Reporting Standards.

8. Which of the following line items would appear on the income statement of a merchandiser but not of a service business?
 - a. Salaries Expense
 - b. Supplies Inventory
 - c. Cost of Merchandise Sold
 - d. Depreciation Expense

9. A mortgage note payable would be listed in what section of the Balance Sheet?
 - a. current liabilities section
 - b. long-term liabilities section
 - c. expense section
 - d. none of the above

10. Retained earnings is
 - a. the stockholders' claim against the assets.
 - b. equal to cash.
 - c. equal to revenue.
 - d. the amount of net income kept in the corporation for future use.

11. All plant assets except _____ are depreciated.
 - a. building
 - b. land
 - c. equipment
 - d. furniture

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

13. The balance of accounts receivable less the allowance for uncollectible accounts is the formula for calculating
 - a. uncollectible accounts expense.
 - b. book value of accounts receivable.
 - c. the contra account balance to accounts receivable.
 - d. total collections previously written-off accounts.

14. If a long-term asset costs \$22,300, has accumulated depreciation of \$18,100, and is sold for \$2,800, the gain or loss on the asset is
 - a. \$1,400 gain.
 - b. \$1,400 loss.
 - c. \$2,800 gain.
 - d. \$2,800 loss.

15. A business that uses the same inventory costing method for all fiscal periods is applying what accounting concept?
 - a. Business Entity
 - b. Adequate Disclosure
 - c. Consistent Reporting
 - d. Matching Expenses with Revenue

16. A company has net sales of \$570,000, gross profit of \$325,000, and total operating expenses of \$98,000. What is the component percentage of net income?
 - a. 25.7%
 - b. 25.8%
 - c. 39.8%
 - d. 39.9%

17. The issuance of stock would be listed in the _____ section of the Cash Flow Statement.
 - a. Financing activities
 - b. Investing activities
 - c. Operating activities
 - d. Selling activities

18. A periodic inventory is normally taken
 - a. at the end of every month.
 - b. quarterly.
 - c. at the end of a fiscal year.
 - d. only when a stock shortage is suspected.

19. Paid-in Capital in Excess of Par appears on the
 - a. Income Statement and the 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.

20. Common Stock has what advantage over preferred stock?
 - a. dividend payments
 - b. voting rights
 - c. lower par value
 - d. first claim to remaining assets if a business fails.

21. An advantage of the corporate form of business ownership is
 - a. that it is easier to start.
 - b. that it has limited liability for the stockholders.
 - c. that it has less government regulation than other forms of ownership.
 - d. that the owners run the daily operations of the business.

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

23. When a partner invests assets other than cash in a new partnership, what value is recorded for the assets?
 - a. original purchase price of the assets
 - b. a value agreed upon by the partners
 - c. market value of the assets
 - d. replacement costs for the assets

24. On the maturity date of a note receivable, the customer will pay
 - a. the principal amount only.
 - b. the principal plus interest.
 - c. the principal minus interest.
 - d. the interest amount only.

25. Recording depreciation expense on a plant asset is an application of what accounting concept?
 - a. Business Entity
 - b. Consistent Reporting
 - c. Going Concern.
 - d. Matching Expenses with Revenue

SHORT ANSWER

1. Alora's Creations accepts a \$9,500, 6.5%, 120-day note from a customer on November 8, 2019.
 - What is the amount of interest earned in 2019? 1a. _____
 - What is the amount of interest earned in 2020? 1b. _____
 - What is the maturity date of the note if 2020 is a leap year? 1c. _____
 - What is the maturity value of the note? 1d. _____
 - Will an adjusting entry be necessary for this note? 1e. _____

2. Ashley and Sara are the partners in a local spa. They needed \$62,000 to start a business. They invested in the ratio 8:12, respectively.

How much money did Ashley invest in the business? 2a. _____

What percent of the business was owned by Sara? 2b. _____

If the business grows to \$2,800,000, what percent of it will Ashley own? 2c. _____

3. Chloe paid \$6,900 for shares of a corporation that manufactured outdoor furniture. She sold the shares for \$15,990. What is Chloe’s capital gains percentage?

3. _____

4. Lorenzo, Archer, and Leone invested in a partnership in the ratio of 2:5:9, respectively. Years later, when the partnership was worth \$2.7 million, Archer decided to leave the partnership and sells his share to Lorenzo.

How much would Lorenzo need to pay Archer to buy his share of the business? 4a. _____

What percent of the business will Lorenzo own after he buys Archer’s portion? 4b. _____

5. An employee used his car for business last month. The company will pay him 48 cents for each mile. He reported to the company that at the beginning of the month, his odometer read 53,210.5 and at the end of the month it read 56,540.2

How many miles did the employee drive during the month? 5a. _____

How much will the company reimbursed him for mileage? 5b. _____

6. Yazhi works at Mazcot’s Sports Pub. She earns \$12 per hour as a busgirl. The waitstaff she helps give her 20% of their tips.

If Yazhi worked 7 hours one day, how much did she earn, without tips? 6a. _____

The waitstaff Yazhi assisted waited on 22 tables and the total spent at all tables was \$2,788. The waitstaff earned 18% in tips, and gave 20% of these earnings to Yazhi. How much did Yazhi make in tips? 6b. _____

What were Yazhi’s earnings per hour, including tips? 6c. _____

JOB 1—ACCOUNT CLASSIFICATION

For each account listed below state its classification (*asset, liability, stockholder's equity, revenue, cost of merchandise, expense*), whether it has a normal debit or credit balance, and what financial statement (*Income statement, Statement of Stockholders' Equity, or Balance Sheet*) it will appear on (*can be more than one*). Use codes provided above the columns. The first one is done as an example.

ACCOUNT	CLASSIFICATION (A, L, SE, R, CM, E)	NORMAL BALANCE (DR or CR)	FINANCIAL STATEMENT (IS, SOSE, BS)
Advertising Expense	E	DR	IS
Notes Receivable			
Bankcard Fees Expense			
Treasury Stock			
Cash			
Payroll Tax Expense			
Federal Corporate Income Tax Payable			
Retained Earnings			
Insurance Expense			
Purchases			
Sales			
Equipment			
Purchases Discounts			
Supplies			
Sales Returns & Allowances			
Sales Tax Payable			
Purchases Returns & Allowances			
Prepaid Rent			
Allowance for Uncollectible Accounts			
Dividends			
Sales Discounts			
Accumulated Depreciation--Equipment			
Federal Corporate Income Tax Expense			
Merchandise Inventory			
Capital Stock			

JOB 2—INVENTORY VALUATION

Directions: Calculate the ending inventory using LIFO, FIFO, and weighted average. There are 42 units left in ending inventory. Once you calculate the ending inventory, fill out the chart using the additional information provided.

Beginning Merchandise Inventory	15 units @	\$22.50
Purchased on February 22	18 units @	\$22.80
Purchased on May 9	24 units @	\$23.10
Purchased on August 8	17 units @	\$23.60
Purchased on November 18	19 units @	\$24.15

LIFO _____ FIFO _____ Weighted Average _____

INVENTORY COSTING METHOD	FIFO	LIFO	WEIGHTED AVERAGE
Net Sales	\$7,832.00	\$7,832.00	\$7,832.00
Beginning Inventory			
Net Purchases	\$2,450.00	\$2,450.00	\$2,450.00
Merchandise Available for Sales			
Ending Inventory			
Cost of Merchandise Sold			
Gross Profit			
Operating Expense	\$3,654.00	\$3,654.00	\$3,654.00
Net Profit			

JOB 3—DEPRECIATION METHODS

Directions: Calculate the yearly depreciation for a truck purchased on January 10 for \$48,000. The truck has a salvage value of \$8,000 and a useful life of 4 years or 100,000 miles. The truck drove 32,000 miles in 2017; 27,000 miles in 2018; 21,000 miles in 2019; and 20,000 miles in 2020.

DEPRECIATION METHOD	STRAIGHT-LINE	DOUBLE-DECLINING BALANCE	UNITS-OF-PRODUCTION
2017			
2018			
2019			
2020			

What is the book value of the truck at the end of 2020 using the straight-line method?

1. _____

What is the book value of the truck at the end of 2019 using the units-of-production method?

2. _____

What is the book value of the truck at the end of 2018 using the double-declining balance method?

3. _____

If the truck is sold at the end of 2020 for \$2,800, did the company have a gain or loss on the sale of a plant asset, using straight-line method of depreciation?

4. _____

How much was the gain or loss on the sale of the plant asset?

5. _____

If the equipment was purchased on July 24 instead of January 10, what would be the depreciation expense for the first year using double-declining balance method?

6. _____

If the equipment was purchased on October 6 instead of January 10, what would be the depreciation expense for the first year using the straight-line method?

7. _____



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REGIONAL – 2020

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Job 2: Inventory Valuation (21 @ 2 points each) _____ (42 points)

Job 3: Depreciation Methods (19 @ 2 points each) _____ (38 points)

TOTAL POINTS _____ ***(253 points)***

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

SHORT ANSWER PROBLEMS—each worth 3 points, total 48 points

1. a. **\$90.91**
b. **\$114.92**
c. **March 7**
d. **\$9,705.83**
e. **Yes**
2. a. **\$24,800**
b. **60%**
c. **40%**
3. **131.7%**
4. a. **\$843,750**
b. **43.8%**
5. a. **\$3,329.70**
b. **\$1,598.26**
6. a. **\$84.00**
b. **\$100.37**
c. **\$26.34**



JOB 1 - ACCOUNT CLASSIFICATION—Each worth 1 point, total points 75

For each account listed below state its classification (*asset, liability, stockholder's equity, revenue, cost of merchandise, expense*), whether it has a normal debit or credit balance, and what financial statement (*Income statement, Statement of Stockholders' Equity, or Balance Sheet*) it will appear on (*can be more than one*). Use codes provided above the columns. The first one is done as an example.

ACCOUNT	CLASSIFICATION (A, L, SE, R, CM, E)	NORMAL BALANCE (DR or CR)	FINANCIAL STATEMENT (IS, SOSE, BS)
Advertising Expense (<i>Example</i>)	E	DR	IS
Notes Receivable	A	DR	BS
Bankcard Fees Expense	E	DR	IS
Treasury Stock	SE	DR	SOSE, BS
Cash	A	DR	BS
Payroll Tax Expense	E	DR	IS
Federal Corporate Income Tax Payable	L	CR	BS
Retained Earnings	SE	CR	SOSE, BS
Insurance Expense	E	DR	IS
Purchases	CM	DR	IS
Sales	R	CR	IS
Equipment	A	DR	BS
Purchases Discounts	CM	CR	IS
Supplies	A	DR	BS
Sales Returns & Allowances	R	DR	IS
Sales Tax Payable	L	CR	BS
Purchases Returns & Allowances	CM	CR	IS
Prepaid Rent	A	DR	BS
Allowance for Uncollectible Accounts	A	CR	BS
Dividends	SE	DR	SOSE
Sales Discounts	R	DR	IS
Accumulated Depreciation--Equipment	A	CR	BS
Federal Corporate Income Tax Expense	E	DR	IS
Merchandise Inventory	A	DR	BS
Capital Stock	SE	CR	SOSE, BS



JOB 2—INVENTORY VALUATION—each worth 2 points, total points 42

LIFO **\$955.80** FIFO **\$998.65** Weighted Average **\$976.55**

INVENTORY COSTING METHOD	FIFO	LIFO	WEIGHTED AVERAGE
Net Sales	\$7,832.00	\$7,832.00	\$7,832.00
Beginning Inventory	\$337.50	\$337.50	\$337.50
Net Purchases	\$2,450.00	\$2,450.00	\$2,450.00
Merchandise Available for Sales	\$2,787.50	\$2,787.50	\$2,787.50
Ending Inventory	\$998.65	\$955.80	\$976.55
Cost of Merchandise Sold	\$1,788.85	\$1,831.70	\$1,810.95
Gross Profit	\$6,043.15	\$6,000.30	\$6,021.05
Operating Expense	\$3,654.00	\$3,654.00	\$3,654.00
Net Profit	\$2,389.15	\$2,346.30	\$2,367.05

JOB 3—DEPRECIATION METHODS— 2 points for each, total points 38

DEPRECIATION METHOD	STRAIGHT-LINE	DOUBLE-DECLINING BALANCE	UNITS-OF-PRODUCTION
2017	\$10,000	\$24,000	\$12,800
2018	\$10,000	\$12,000	\$10,880
2019	\$10,000	\$4,000	\$8,400
2020	\$10,000	-0-	\$8,000

- | | | |
|-------------------|--------------------|--------------------|
| 1. \$8,000 | 2. \$16,000 | 3. \$12,000 |
| 4. Loss | 5. \$5,200 | 6. \$10,000 |
| 7. \$2,500 | | |