Contestant Number:

Time:

Rank:

**FUNDAMENTAL ACCOUNTING**

**(100)**

# —Secondary—

**REGIONAL – 2020**

**CONCEPT KNOWLEDGE:**

Multiple Choice (30 @ 2 points each) (60 points)

True/False (20 @ 1 point each) (20 points)

**APPLICATION KNOWLEDGE:**

Short Answer (7 @ 5 points each) (35 points)

Job 1: Accounting Classification (60 @ 1 point each) (60 points)

Job 2: Journalizing Transactions (39 @ 1 points each) (39 points)

Job 3: Income Statement (24 @ 1 point each) (24 points)

***TOTAL POINTS (238 points)***

**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 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 all calculations at the final step.
* 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. The process of originally recording a business transaction in the accounting records is termed

a. journalizing.

b. footing.

c. posting.

d. balancing.

2. If liabilities total $4,000 and the owner’s equity totals $32,000, the asset value is

a. $ 4,000.

b. $28,000.

c. $32,000.

d. $36,000.

3. The process of transferring information from the journal to the individual general

ledger accounts is called

a. journalizing.

b. posting.

c. transferring.

d. closing.

4. What two types of transactions increase owner’s equity?

a. investments and withdrawals

b. withdrawals and revenues

c. revenues and investments

d. withdrawals and expenses

5. An endorsement on the back of a check consisting of the words “For Deposit Only to Account”

is a

a. blank endorsement.

b. restrictive endorsement.

c. special endorsement.

d. regular endorsement.

6. In accounting, the terms debit and credit indicate, respectively,

a. increase and decrease.

b. decrease and increase.

c. left and right.

d. right and left.

7. Which financial statement is a depiction of the fundamental accounting equation?

a. Balance Sheet

b. Income Statement

c. Statement of Owner’s Equity

d. Statement of Earnings

8. The amount closed to Capital from Income Summary represents

a. the beginning capital account balance.

b. the ending capital account balance.

c. the amount of withdrawals made during the fiscal period.

d. the net income or loss during the fiscal period.

9. Performing adjusting entries to bring asset account balances up-to-date is an application of

what accounting concept?

a. Business Entity

b. Matching Expenses with Revenues

c. Realization of Revenue

d. Going Concern

10. Which of the following is a permanent account?

a. Salary Expense

b. Fees Income

c. Equipment

d. Drawing

11. The journal entry to close the revenue accounts is

a. debit Income Summary; credit Owner’s Capital.

b. debit each revenue account; credit Income Summary for the total revenue.

c. debit Income Summary for the total revenue; credit each revenue account.

d. debit Owner’s Capital; credit Income Summary.

12. Supplies purchased on account for future use in the business are called

a. expenses.

b. prepaid expenses.

c. liabilities.

d. prepaid liabilities.

13. Using an EFT to make a payment for your heating/cooling bill will result in

a. a debit to Cash and a credit to Services Revenue.

b. a debit to Cash and a credit to Utilities Expense.

c. a debit to Utilities Expense and a credit to Cash.

d. a debit to Accounts Receivable and a credit to Cash.

14. Separating the owner’s personal records from those of the business represents the

a. Business Entity concept.

b. Going Concern concept.

c. Consistent Reporting concept.

d. Objective Evidence concept.

15. Temporary accounts start each fiscal period with

a. debit balances.

b. credit balances.

c. zero balances.

d. both debit and credit balances.

16. The financial statements of a business

a. include the balance sheet, income statement, and income tax return.

b. are the first step in the accounting process.

c. are prepared for a fee by the Financial Accounting Standards Board.

d. provide information about the profitability and financial position of the company.

17. At the end of a fiscal period, the second closing entry will be to close

a. expense accounts into the Income Summary account.

b. revenue accounts into the Income Summary account.

c. the withdrawal account into the capital account.

d. expense accounts into the capital account.

18. Accounts that are continuous from one accounting period to the next and their balances are

carried forward are referred to as

a. temporary accounts.

b. permanent accounts.

c. signature accounts.

d. single-step accounts.

19. If expenses exceed revenue during a given fiscal period,

a. owner’s equity will decrease more than assets.

b. assets will decrease more than liabilities.

c. the Income Statement will show a net loss.

d. the Cash account will decrease.

20. Owner’s equity is

a. the amount taken out of a business by the owner for personal use.

b. the financial interest of the owner in the business.

c. the amount the owner invested in the business.

d. the revenues less the expenses.

21. The journal entry to adjust the Prepaid Insurance account is

a. debit Prepaid Insurance; credit Insurance Expense.

b. debit Insurance Expense; credit Prepaid Insurance.

c. debit Income Summary; credit Prepaid Insurance.

d. debit Insurance Expense; credit Income Summary.

22. Which of the following accounts would *not* appear on the Post-Closing Trial Balance?

a. Accounts Payable

b. S. Grumpy, Drawing

c. Equipment

d. S. Grumpy, Capital

23. The assets and owner’s equity of a company are $205,000 and $115,000, respectively.

Liabilities must be equal to

a. $ 90,000.

b. $115,000.

c. $205,000.

d. $320,000.

24. There are four types of transactions that affect Owner’s Equity. Which two types of

transactions decrease Owner’s Equity?

a. Revenues and expenses

b. Expenses and owner’s withdrawals

c. Revenues and owner’s investments

d. Owner’s withdrawals and revenue

25. Accounts are listed in the general ledger

a. chronologically.

b. alphabetically.

c. in accordance with their appearance on the Chart of Accounts.

d. so that accounts used most often are listed first.

26. A fiscal year

a. is a twelve month period that may be different for different companies.

b. is determined by the federal government.

c. begins on January 1.

d. should end at a company’s busiest time.

27. In accounting terms, a creditor’s claim against the assets of a business is referred to as

a. a liability.

b. an asset.

c. a debit.

d. a credit.

28. In accounting terms, the money that flows into a business through normal operations is referred

to as

a. an asset.

b. an account receivable.

c. revenue.

d. owner’s equity.

29. The information for the worksheet comes from the

a. Income Statement.

b. Balance Sheet.

c. general journal.

d. general ledger.

30. Net Income is achieved when

a. expenses are greater than revenue.

b. assets are greater than liabilities.

c. revenue is greater than expenses.

d. revenue is greater than liabilities.

**DEBITS AND CREDITS/True or False**

***Directions:*** Read each statement and determine whether it is true or false. If using a Scantron sheet use ***A for true and B for false***. If writing on the test, use **T** for true and **F** for false.

31. A credit always decreases an account’s balance.

32. A debit can represent an increase or decrease to an account’s balance.

33. Assets normally have a debit balance.

34. The “left side” of an account’s structure is the credit side.

35. The owner’s drawing account is increased on the credit side and decreased on the debit side.

36. Whether a debit or credit increases or decreases an account’s balance depends on the type of account.

37. A credit increases an expense account’s balance while a debit reduces an expense account’s balance.

38. Debits and credits are the accounting terms used to identify the left and right sides of an account.

39. Revenue accounts normally have a debit balance.

40. Liability and Equity accounts normally have credit balances.

41. A debit increases a liability account while a credit decreases a liability account.

42. Expense and drawing accounts normally have a credit balance.

43. Debits always have to equal credits.

44. All permanent accounts have a normal balance that is either a debit balance or a credit balance.

45. The left side of an account represents the credit side.

46. Expense accounts normally have debit balances.

47. A liability account is increased on the credit side and decreased on the debit side.

48. Liability, equity, and revenue accounts normally have a debit balance.

49. A debit decreases the capital account while a credit increases the capital account.

50. A credit decreases a revenue account while a debit increases a revenue account.

**SHORT ANSWER**

1. Reilly’s Inc.’s bank statement shows a balance of $25,000. There are outstanding checks

totaling $12,110, outstanding deposits totaling $2,320, and a bank service charge of $25.

What would be the bank statement balance after the accountant has performed a bank

reconciliation?

1.

2. At the beginning of the fiscal period, the owner’s capital account is $104,800. The

owner made an additional investment of $10,000 and withdrew $48,000. The business

showed a net loss for the fiscal period of $6,150. How much is the owner’s capital

balance at the end of the fiscal period?

2.

3. Cross Associates’ Accounts Receivable account has a total of $78,800 in debits and $49,100 in credits. What is the current amount owed by customers to the company?

3.

4. EJ’s Texas Eats’ payroll for this pay period included: 2 managers each being paid

$4,200 per pay period; 14 waitstaff being paid $4.10 per hour for a total of 552 hours

*(no waitstaff worked over 40 hours).*

4a. What is the total salary expense for the pay period? 4a.

4b. How much is the Social Security tax liability for this

pay period? Tax rate for Social Security is 6.2%. 4b.

5. During the month of August, Lynnie’s Hair Design had the following transactions

involving revenue and expenses:

Provided services to clients on account totaling, $12,400

Paid rent, $1,300

Paid for advertising, $450

Provided services to clients, $2,100

Paid salaries, $8,970

Paid for repairs to equipment, $380

Did Lynnie’s Hair Design have a net profit or loss for August? 5a.

What is the dollar amount of the net profit or loss? 5b.

**JOB 1 – ACCOUNT IDENTIFICATION**

***Directions:*** For each account, indicate its classification, its normal balance side, and on which financial statement(s) the account appears*.* Use the appropriate abbreviations for your answers.

**Classifications** **Normal Balance Side** **Financial Statements**

**A** = Asset **DR** = Debit **BS** = Balance Sheet

**L** = Liability **CR** = Credit **IS** = Income Statement

**OE** = Owner’s Equity **N** =Neither **N** = None

**R** = Revenue

**E** = Expenses **Temporary/Permanent Account**

**P** = Permanent

**T** = Temporary

**Normal Permanent/ Financial**

**Account Name Classification Balance Temporary Statement(s)**

Accounts Receivable

Petty Cash

Rental Revenue

Accounts Payable

J. Stall, Drawing

Salary Expense

Income Summary

J. Stall, Capital

Supplies

Mortgage Payable

Prepaid Insurance

Buildings

Advertising Expense

Office Equipment

Cash

**JOB 2 – JOURNALIZING TRANSACTIONS**

Santiago Legal Services opened for business on February 1, 2020. The company uses the general ledger accounts listed in the Chart of Accounts. Analyze each transaction into its debit and credit parts and place the account number(s) of the account title(s) to be debited and credited on the line under the appropriate column.

|  |  |
| --- | --- |
| **Santiago Accounting Services**  **Chart of Accounts** | |
| **Acct. No.** | **Account Name** |
| 110 | Cash |
| 120 | Petty Cash |
| 130 | AR/J. Heath |
| 140 | AR/J. Gallagher |
| 150 | Supplies |
| 160 | Prepaid Insurance |
| 170 | Office Equipment |
| 210 | AP/Standard Supply, Inc. |
| 220 | AP/W. B. Mason |
| 310 | J. Santiago, Capital |
| 320 | J. Santiago, Drawing |
| 330 | Income Summary |
| 410 | Legal Fees |
| 510 | Advertising Expense |
| 520 | Cash Short/Over |
| 530 | Miscellaneous Expense |
| 540 | Rent Expense |
| 550 | Repairs Expense |
| 560 | Salary Expense |
| 570 | Supplies Expense |
| 580 | Utilities Expense |

**DEBIT CREDIT**

Feb 1 Received cash from the owner as an investment, $80,000

Feb 2 Wrote a check to Gelinas Realty for rent, $1,500

Feb 4 Issued a check to MetPro Insurance Company for a year’s

worth of insurance, $2,400

Feb 5 Performed legal work for J. Heath on credit, $1,820

**DEBIT CREDIT**

Feb 7 Bought supplies from Standard Supply, Inc., $940.

Paid $500 now with the remainder on account

Feb 9 Wrote a check to establish a petty cash fund with an initial

balance of $250

Feb 14 Paid cash on account to Standard Supply, Inc., $440

Feb 15 Issued a check to the owner for personal expenses, $750

Feb 18 Received a check from J. Gallagher in the amount of $800

for legal work worth $1,400. The remainder will

be billed on account.

Feb 20 Wrote a check for repairs to the company laptop, $270

Feb 23 Paid a check to utility company for monthly electric

bill, $420

Feb 24 Received a check from A. Keegan for legal work

performed, $820

Feb 25 Sent payment on account to W.B. Mason, $400

Feb 26 Discovered a debit entry to Supplies Expense should

have been recorded to Supplies, $60. Journalize the

correcting entry for this error.

Feb 27 Received a check on account from J. Heath for payment

in full from legal work performed, $1,820

Feb. 27 The owner withdrew supplies from the company for

his personal use.

Feb. 28 Wrote a check for $70 to petty cash for reimbursing

the petty cash fund; supplies $27, miscellaneous

expense $16, advertising, $25; the cash balance in the

fund indicated a shortage of $2

**JOB 3 –INCOME STATEMENT**

***Directions:*** Use the Adjusted Trial Balance to prepare an Income Statement for the year ended December 31, 2019.

|  |  |  |
| --- | --- | --- |
| **Archer Company** | | |
| **Adjusted Trial Balance** | | |
| **December 31, 2019** | | |
| Cash | 8,120 |  |
| Accounts Receivable | 3,190 |  |
| Prepaid Expenses | 900 |  |
| Truck | 27,400 |  |
| Accumulated Depreciation—Truck |  | 11,200 |
| Accounts Payable |  | 3,700 |
| Notes Payable |  | 9,000 |
| C. Archer, Capital |  | 11,960 |
| C. Archer, Drawing | 8,300 |  |
| Delivery Fees |  | 42,600 |
| Depreciation Expense | 4,100 |  |
| Miscellaneous Expense | 1,275 |  |
| Rent Expense | 9,100 |  |
| Utilities Expense | 5,275 |  |
| Wages Expense | 10,800 |  |
| Totals | 78,460 | 78,460 |

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