**Contestant Number: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Time: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Rank: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**



**ADVANCED COLLEGE**

**ACCOUNTING**

(115)

**REGIONAL 2022**

**CONCEPT KNOWLEDGE:**

Multiple Choice (20 @ 2 points each) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (40 points)

**APPLICATION KNOWLEDGE:**

Short Answer (17 @ 3 points each) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (51 points)

Problem 1: Income Statement \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (76 points)

Problem 2: Balance Sheet \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (70 points)

**TOTAL POINTS** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ **(237 points)**

**Test Time: 90 minutes**

**GENERAL GUIDELINES:**

*Failure to adhere to any of the following rules will result in disqualification:*

1. Member must hand in this test booklet and all printouts if any. 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 (handwritten, photocopied, or keyed) are allowed in the testing area.
3. Electronic devices will be monitored according to ACT standards.

**EXAM GUIDELINES:**

You have been hired as a Financial Assistant and will be keeping the accounting records for Digital Solutions, located at 700 Morse Road, Suite 201, Columbus, Ohio 43214. Digital Solutions provides accounting and other financial services for clients. You will complete jobs for Digital Solutions’ 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 knowledge.

Your name and/or school name should *not* appear on any work you submit for grading. Write your Member ID 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 to two decimal places at the final step.
* Round all percentages to one decimal place.
* Use 360 days for interest calculations.

**Multiple Choice Questions**

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

1. General-purpose financial reports are designed to \_\_\_\_\_\_.
   1. show the value of the reporting entity
   2. provide information to assist investors and creditors in assessing performance of an entity
   3. meet SEC requirements
   4. provide managers with necessary information for decision-making
2. The financial accounting concepts, principles, and procedures designed to ensure that external financial statements are relevant and faithfully representative are called \_\_\_\_\_\_.
   1. Generally Accepted Accounting Principles
   2. Generally Audited Accounting Policies
   3. Financial Accounting Standards Board
   4. Securities and Exchange Competencies
3. \_\_\_\_\_\_ is currently responsible for developing accounting standards in the United States.
   1. FASB
   2. SEC
   3. IASB
   4. AICPA
4. Probable future economic benefits obtained or controlled by a particular entity as a result of a past transaction or event are known as \_\_\_\_\_\_.
   1. Assets
   2. Liabilities
   3. Revenues
   4. Expenses
5. Probable future economic sacrifices of economic benefits arising from present obligations of a particular entity are known as \_\_\_\_\_\_.
   1. Assets
   2. Liabilities
   3. Expenses
   4. Equities
6. Which organization is a governmental agency that has jurisdiction to register, regulate, and oversee public companies in the United States?
   1. FASB
   2. SEC
   3. IASB
   4. AICPA
7. At the end of each accounting period, what happens to the balance in the permanent accounts?
   1. They are set to zero.
   2. They are deleted.
   3. They are carried over to the next period.
   4. They are closed.
8. Transactions are recorded first in the \_\_\_\_\_\_.
   1. General Journal
   2. General Ledger
   3. T-accounts
   4. Worksheet
9. The purpose of the unadjusted trial balance is \_\_\_\_\_\_.
   1. Ensuring that the accounts are error-free
   2. Determining net income
   3. Determining the balance sheet totals
   4. Checking that debits equal credits
10. Which of the following is a non-cash expense?
    1. Cost of Goods Sold
    2. Income Tax Expense
    3. Depreciation Expense
    4. Interest Expense
11. Which of the following is found on a multi-step income statement but not a single-step income statement?
    1. Gross Profit
    2. Income before taxes
    3. Depreciation Expense
    4. Net Sales Revenue
12. Assets that are expected to be realized in cash, sold, or consumed within the normal operating cycle of the business are called \_\_\_\_\_\_.
    1. Current Assets
    2. Property, plant, and equipment
    3. Long-term investments
    4. Intangible assets
13. \_\_\_\_\_\_ are decreases in equity from peripheral or incidental transactions of an entity and from all other transactions and other events and circumstances affecting the entity except those that result from expenses or distributions to owners.
    1. Dividends
    2. Withdrawals
    3. Losses
    4. Investments
14. The amount invested by shareholders into the corporation is \_\_\_\_\_\_.
    1. Retained Earnings
    2. Paid-in Capital
    3. Bonds
    4. Intangible Assets
15. Which of the following accounts is not normally involved in adjusting entries?
    1. Accounts Receivable
    2. Deferred Revenue
    3. Depreciation Expense
    4. Cash
16. Under an accrual accounting system, when does a company recognize revenue?
    1. When cash is received.
    2. When the performance obligation is satisfied.
    3. When the contract is fulfilled.
    4. When the contract is agreed to by both parties.
17. What type of account is Allowance for Doubtful Accounts?
    1. Asset
    2. Liability
    3. Expense
    4. Contra asset
18. Which of the following accounts have a normal credit balance?
    1. Short-term investments
    2. Cash equivalents
    3. Accumulated Depreciation
    4. Dividends
19. Lyman Industries is a manufacturer of office furniture. Which of the following expenses incurred during the year would be reported as an operating expense in a multiple-step income statement?
    1. Cost of factory employee wages
    2. Depreciation of sales office equipment
    3. Interest on note payable
    4. Wood used to make furniture
20. Which of the following would *not* need to be disclosed in a related party transaction note? *(Assume all related dollar amounts are material.)*
    1. Corporate guarantee of CEO’s home mortgage
    2. Lease of factory equipment from subsidiary
    3. Sale of land to parent entity
    4. Contract signed with a repeat customer

**SHORT ANSWER (51 points)**

1. Seaborn Co. has a debit balance of $220 in its allowance for doubtful accounts. The amount of credit sales for the period is $96,000, and the balance in accounts receivable is $18,000. Assume that the expected credit losses are estimated to be 9% of accounts receivable.

a. What amount of bad debt expense will Seaborn Co. report for the year? \_\_\_\_\_\_\_\_\_\_\_\_

b. What will be the ending balance in the Allowance for Doubtful Accounts? \_\_\_\_\_\_\_\_\_\_\_\_

2. Ziegler Inc. has a credit balance of $1,440 in its allowance for doubtful accounts. The amount of credit sales for the period is $192,000, and the balance in accounts receivable is $36,000. Assume that the bad debt estimates are 0.5% of credit sales.

a. What amount of bad debt expense will Ziegler Inc. report for the year? \_\_\_\_\_\_\_\_\_\_\_\_

b. What will be the ending balance in the Allowance for Doubtful Accounts? \_\_\_\_\_\_\_\_\_\_\_\_

3. The aging schedule at December 31, 2021, for Cregg Corp. shows the following breakdown of total accounts receivable.

|  |  |
| --- | --- |
| **Status** | **Amount** |
| Not past due | $455,000 |
| Past due 1-30 days | 108,000 |
| Past due 31-60 days | 55,000 |
| Past due over 60 days | 14,000 |
| Total | $632,000 |

The company considers the risk of credit losses to be similar within the aging pools and estimates the following credit loss rates by pool: not past due, 0.5%; past due 1-30 days, 1%; past due 31-60 days, 2%; and past due over 60 days, 8%. The Allowance for Doubtful Accounts has an $800 credit balance before adjustment.

a. What amount of bad debt expense will Cregg Corp. report for the year? \_\_\_\_\_\_\_\_\_\_\_\_

b. What will be the ending balance in the Allowance for Doubtful Accounts? \_\_\_\_\_\_\_\_\_\_\_\_

4. McGarry Company had a beginning balance of $835,000 and an ending of $1,064,000 in Accounts Receivable. Sales on account were $6,300,000 for the year and the company wrote off accounts totaling $4,620 during the year. What were cash collections from sales during the year?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

5. Referring to the information below, indicate the income statement and balance sheet impacts in each case if the appropriate adjusting entry was not recorded on December 31, 2021.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Net Income | Assets | Liabilities |
| Interest expense of $420 for the month of December 2021 will be paid in January 2022. |  |  |  |
| Unbilled revenue for services performed in December 2021 is $3,600. The company will prepare and forward invoices for this amount in January 2022 to customers with a 30-day collection term. |  |  |  |
| $1,200 cash was received in advance on November 30, 2021, for future services to be performed; half of the services were performed in December 20, 2021. |  |  |  |
| Acquired a two-year insurance policy on January 1, 2020, for $12,000 cash that was recorded initially as prepaid insurance. |  |  |  |
| Depreciation on equipment is $14,000 for 2021 |  |  |  |

**PROBLEM 1 (76 points)**

Use the data from the Adjusted Trial Balance of Bartlet Inc. on December 31, 2021 below to prepare the multi-step income statement, including the EPS disclosure. Bartlet has no preferred stock; there were 15,000 shares of common stock outstanding from January 1, 2021 until April 30, 2021, and 22,500 shares outstanding from May 1, 2021 until the end of the year.

|  |  |
| --- | --- |
| Accounts Payable | $18,300 |
| Accounts Receivable | 17,200 |
| Accumulated Depreciation | 20,000 |
| Cash | 8,000 |
| Common Stock | 35,000 |
| Cost of Goods Sold | 633,300 |
| Depreciation Expense | 13,500 |
| Equipment | 105,000 |
| Income Taxes (Ordinary Operations) | 3,500 |
| Insurance Expense | 9,000 |
| Interest Expense | 5,000 |
| Inventory | 36,200 |
| Loss due to flooding (unusual & infrequent) | 38,000 |
| Loss on operations from discontinued business segment | 56,000 |
| Loss on sale of Equipment | 2,000 |
| Notes Payable | 47,500 |
| Prepaid Insurance | 6,000 |
| Rent Expense | 29,000 |
| Retained Earnings | 14,200 |
| Salaries Expense | 110,000 |
| Sales Revenue | 914,000 |
| Utilities Expense | 10,600 |

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**PROBLEM 2 (70 points)**

The consolidated balance sheet of C. Young & Partners follows. For each of the missing items *a* through *n* determine the balances that appear on the complete balance sheet and record on the attached answer sheet.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Assets** | | | |  | | **Liabilities and Stockholders' Equity** | | |
| Current assets |  |  |  | | Current liabilities | |  |  |
| Cash and cash equivalents |  | $ 15,293 |  | | Accounts payable | | $128,214 |  |
| Marketable securities |  | ***a.*** |  | | Deferred Revenue | | ***f.*** |  |
| Accounts receivables | $230,523 |  |  | | Income taxes payable | | 9,632 |  |
| Less: Allowance for doubtful account | ***b***. | 221,132 |  | | Dividends Payable | | 7,340 |  |
| Inventories |  | 302,630 |  | | Accrued expenses | | 8,481 |  |
| Prepaid expenses |  | 13,353 |  | | Total current liabilities | |  | $166,145 |
| Total current assets |  | ***c*.** |  | | Long-term Liabilities: | |  |  |
| Property, plant, and equipment |  |  |  | | Bonds Payable | |  | ***g.*** |
| Land | 18,723 |  |  | | Pension liability | |  | 52,704 |
| Building | ***d*.** |  |  | | Total liabilities | |  | ***h.*** |
| Less: Accumulated depreciation | 175,136 | 235,173 |  | |  | |  |  |
| Equipment and machinery | 293,201 |  |  | | Stockholders’ equity | |  |  |
| Less: Accumulated depreciation | 155,513 | ***e.*** |  | | Preferred stock, no-par value (authorized 15,000 shares, issued 3,600 shares) | | ***i.*** |  |
| Total property, plant, and equipment |  | 391,584 |  | |
| Investments |  | 22,310 |  | | Common stock, $5 par value (authorized 600,000 shares, issued 30,000 shares) | | ***j.*** |  |
| Other assets |  | 11,889 |  | |
| Total assets |  | $992,661 |  | | Additional paid-in capital | | 110,588 |  |
|  |  |  |  | | Total contributed capital | |  | ***k.*** |
|  |  |  |  | | Retained earnings | |  |  |
|  |  |  |  | | Appropriated | | 37,500 |  |
|  |  |  |  | | Unappropriated | | **l.** | 272,207 |
|  |  |  |  | | Total retained earnings and contributed capital | |  | ***m.*** |
|  |  |  |  | | Less treasury stock (5,132 shares) | |  | 32,714 |
|  |  |  |  | | Total stockholders’ equity | |  | 521,502 |
|  |  |  |  | | Total liabilities and stockholders’ equity | |  | ***n.*** |

|  |  |
| --- | --- |
| a. |  |
| b. |  |
| c. |  |
| d. |  |
| e. |  |
| f. |  |
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