

Member ID: _____

Time: _____

Rank: _____



COLLEGE ACCOUNTING

(105)

REGIONAL 2023

CONCEPT KNOWLEDGE:

Matching (20 @ 2 points each) _____ (40 points)

APPLICATION KNOWLEDGE:

Short Answer _____ (45 points)

Problem 1: Journal Entries _____ (69 points)

Problem 2: Adjusting Entries _____ (64 points)

Problem 3: Financial Statements _____ (60 points)

TOTAL POINTS _____ ***(278 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 at the final step.
- Round all percentages to one decimal place.
- Use 360 days for interest calculations.

Multiple Choice

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

1. Which organization is responsible for formulating the accounting standards in the United States?
 - A. GAAP
 - B. SEC
 - C. FASB
 - D. IRS
2. Which of the following increases total assets?
 - A. Provide services to customers on account
 - B. Purchase supplies for cash
 - C. Collect cash from customers for services provided on account last month
 - D. Pay dividends to current stockholders
3. Which of the following transactions decreases stockholders' equity?
 - A. Purchase supplies on account
 - B. Pay salaries for the current period
 - C. Repay amounts previously borrowed from the bank
 - D. Purchased office supplies on account
4. The following amounts are reported in the ledger of McGarry Company:

Assets	\$76,000
Liabilities	39,000
Retained Earnings	10,500

What is the balance in the Common Stock account?

- A. \$26,500
 - B. \$49,500
 - C. \$65,500
 - D. \$37,000
5. Which of the following best explains the meaning of total stockholders' equity?
 - A. The difference between total revenues and total expenses, less dividends for the year
 - B. The amount of common stock less dividends over the life of the company
 - C. All revenues, expenses, and dividends over the life of the company
 - D. The amount of capital invested by stockholders plus profits retained over the life of the company

6. On January 1, Toby Inc. sold \$30,000 in products to a customer on account. Then on January 10, Toby collected the cash on that account. What is the impact on Toby's accounting equation from the collection of cash on January 10?
 - A. No net effect on the accounting equation
 - B. Assets increase and liabilities decrease
 - C. Assets decrease and liabilities decrease
 - D. Assets increase and stockholders' equity increases
7. Which of the following transactions would cause an increase in both assets and liabilities of a company?
 - A. Pay for the current month's rent
 - B. Pay for inventory purchased 90 days ago
 - C. Purchase a building by issuing a note payable
 - D. Provide services on account
8. Which of the following accounts normally has a credit balance?
 - A. Cash
 - B. Accounts Receivable
 - C. Dividends
 - D. Service Revenue
9. The Accumulated Depreciation account is a(n)
 - A. Contra asset account
 - B. Liability account
 - C. Asset account
 - D. Operating expense account
10. What is the purpose of a post-closing trial balance?
 - A. Prove that all income statement accounts have been properly posted
 - B. Prove the equality of income statement account balances
 - C. Prove the equality of all account balances
 - D. Prove the equality of permanent account balances
11. Which of the following is false?
 - A. Current assets are listed in order of magnitude
 - B. Obligations expected to be paid after one year are classified as long-term liabilities
 - C. Intangible assets are non-current resources that do not have physical substance
 - D. Property, plant, and equipment are tangible resources of a relatively permanent nature that are used in the business and not intended for sale.

12. Which one of the following does not impact retained earnings directly?
- A. Net income
 - B. Net loss
 - C. Dividends
 - D. Stock issuances
13. Which of the following is not a reason for which adjusting entries are made?
- A. To close the income statement accounts and prepare them for the following year's activity
 - B. To allocate used or expired assets to reflect expenses incurred in the period
 - C. To allocate the earned portion of unearned revenue to reflect revenues earned during the period
 - D. To accrue liabilities to reflect expenses incurred during the period that are not yet paid
14. The Prepaid Advertising account is not adjusted at the end of the period, what effect will this have on the financial statements?
- A. Liabilities will be overstated and net income will be understated
 - B. Cash will be overstated and net income will be overstated
 - C. Assets will be overstated and net income will be overstated
 - D. Assets will be understated and net income will be understated
15. Before the closing entries are prepared, the Retained Earnings balance in the adjusted trial balance is equal to the balance of that account
- A. At the beginning of the next period
 - B. At the beginning of the period
 - C. At the end of the period
 - D. After adding revenues and subtracting expenses but before subtracting dividends
16. Which of the following would understate net income?
- A. Overstating the year-end balance of the Supplies account
 - B. Understating the amount of Depreciation Expense recorded
 - C. Failing to post an adjusting entry to accrue revenue
 - D. Failing to prepare an adjusting entry to recognize the portion of prepaid rent that has expired
17. The failure to record an accrual adjustment relating to salaries and wages would not affect the:
- A. Statement of Retained Earnings
 - B. Balance Sheet
 - C. Income Statement
 - D. Statement of Cash Flows

18. If a company is using accrual basis accounting, when should it record revenue?
- A. Before services are performed
 - B. When cash is received, 30 days after the completion of the services
 - C. When cash is received, even though services may be performed at a later date
 - D. When services are performed, even though cash may be received at a later date
19. Which financial statement is always prepared first?
- A. Income Statement
 - B. Balance Sheet
 - C. Statement of Cash Flows
 - D. Statement of Retained Earnings
20. Which of the following accounting elements does the matching principle help to match?
- A. Expenses and liabilities
 - B. Revenues and liabilities
 - C. Expenses and revenues
 - D. Expenses and assets

Short Answer

1. Indicate the financial statement on which each of the following items appears. Use IS for Income Statement, RE for Statement of Retained Earnings, and BS for Balance Sheet

Financial Statement	Account
	Rent Payable
	Dividends
	Note Payable
	Unearned Revenue
	Service Revenue
	Interest Expense
	Utilities Expense
	Prepaid Insurance
	Supplies
	Accumulated Depreciation

2. The Accounts Payable account has a beginning balance of \$11,000 and the company purchased \$41,000 of supplies on account during the month. The ending balance was \$19,000.

How much did the company pay to creditors during the month?	
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3. Following are transactions of Jonna Inc., a new company, during the month of January:

Issued 10,000 shares of common stock for \$15,000 cash
Purchased land for \$12,000, signing a note payable for the full amount
Purchase office equipment for \$1,200 cash
Received cash of \$14,000 for services provided to customers during the month
Purchased \$300 of office supplies on account
Paid employees \$10,000 for the first month's salaries

What was the total amount of Jonna's liabilities following these six transactions?	
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4. Julian Co. has provided the following account balances:

Cash	\$38,800
Short-term investment	4,800
Accounts receivable	6,800
Supplies	52,000
Long-term notes receivable	2,800
Equipment	100,00
Factory building	188,000
Intangible assets	6,800
Accounts payable	29,200
Accrued liabilities payable	3,600
Short-term notes payable	15,600
Long-term notes payable	96,000
Common stock	188,000
Retained earnings	67,600

What is the company's current ratio?	
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5. On July 1, 2022 Cregg Corp. signed a \$190,000, one-year, 5% note payable. The principal and interest will be paid on June 30, 2023.

How much interest expense should be reported on the income statement for the year ended December 31, 2022?	
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6. Remington Company had the following income statement on December 31, 2022:

Remington Company	
Income Statement	
For the Year Ended Dec. 31, 2022	
Service Revenue	\$10,900
Expenses:	
Supplies Expense	\$3,300
Maintenance and Repairs Expense	2,000
Utilities Expense	<u>800</u>
Total expenses	<u>6,100</u>
Net income	<u>\$4,800</u>

No dividends were paid during the year.

After all closing entries have been posted, what amount will be closed to Retained Earnings?	
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Problem 1 (69 Points)

Whitfield House Painting Company incurs the following transactions for September.

September 3	Painted houses in the current month for \$10,000 on account.
September 8	Purchased painting equipment for \$11,000 cash.
September 12	Purchased office supplies on account for \$1,500.
September 15	Paid employee salaries of \$2,200 for the current month.
September 19	Purchased advertising to appear in the current month for \$1,100 cash.
September 22	Paid office rent of \$3,400 for the current month.
September 26	Received \$5,000 from customers in (1) above.
September 30	Received cash of \$4,000 in advance from a customer who plans to have his house painted in the following month.

Prepare the journal entries for September.

	Debit Account	Debit Amount	Credit Account	Credit Amount
September 3				
September 8				
September 12				
September 15				
September 19				
September 22				
September 26				
September 30				

What is the net income for September?	
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Problem 2 (64 Points)

Prepare appropriate monthly adjusting entries for the year ended December 31, 2022.

1.	Riley has three employees who each earn \$120 per day. On December 31, four days' salaries have been earned but not paid.
2.	A customer paid Riley \$16,000 on December 1, 2022, for services to be rendered from December 1 through January 31, 2023. The receipt was credited to a liability account. Half of the services were rendered in December.
3.	Riley purchased equipment costing \$48,000 on January 1, 2020. Monthly depreciation is \$400.
4.	Riley provided services to a customer in 2022 at a fee of \$500. This fee has not yet been received or billed.
5.	Riley started the year with no supplies on hand. They purchased \$6,000 in supplies during the year and have \$1,500 on hand on December 31. Supplies were debited to an asset account when purchased.
6.	Riley paid \$15,000 for a three-year insurance policy on July 1, 2022, debiting an asset account at that time.
7.	Riley borrowed \$30,000 by signing a three-month, 6% interest, note payable on December 1, 2022.
8.	Riley purchased short-term investments on December 1, 2022. Interest of \$300 per month has been earned but not received prior to December 31.

	Debit Account	Debit Amount	Credit Account	Credit Amount
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				

Problem 3 (60 Points)

The December 31, 2022 adjusted trial balance for Lyman Enterprises was as follows:

Account Title	Debits	Credits
Accounts payable		90,000
Accounts receivable	170,000	
Accumulated depreciation — equipment		260,000
Common stock		490,000
Cash	26,000	
Cost of goods sold	480,000	
Depreciation expense	60,000	
Equipment	700,000	
Interest expense	4,000	
Inventory	150,000	
Note payable (due in six months)		60,000
Rent expense	30,000	
Retained earnings		62,000
Salaries and wages payable		8,000
Sales revenue		770,000
Salaries expense	120,000	
TOTALS	<u>1,740,000</u>	<u>1,740,000</u>

Lyman's 2022 Gross Profit	
Lyman's 2022 Operating Income	
Lyman's 2022 net income (or loss)	
Lyman's 12/31/22 total current assets	
Lyman's 12/31/22 total current liabilities	
Lyman's 12/31/22 total equity	