

Member ID: \_\_\_\_\_

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

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



# ADVANCED COLLEGE ACCOUNTING (115) REGIONAL 2023

## CONCEPT KNOWLEDGE:

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

## APPLICATION KNOWLEDGE:

Short Answer \_\_\_\_\_ (57 points)

Problem 1: Adjusting Entries \_\_\_\_\_ (56 points)

Problem 2: Balance Sheet \_\_\_\_\_ (48 points)

***TOTAL POINTS*** \_\_\_\_\_ ***(201 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. If the total amount that should have been debited to Rent Expense is mistakenly debited instead to Prepaid Rent, what will be the effect on the financial statements for the year?
  - A. Revenues will be overstated
  - B. Expenses will be overstated
  - C. Stockholders' Equity will be understated
  - D. Assets will be overstated
2. Delacour Communications paid utilities of \$150,000 during 2022. At the end of 2022, utilities payable equals \$52,000 and utilities expense equals \$177,000. What was the balance of utilities payable at the beginning of 2022?
  - A. \$27,000
  - B. \$54,000
  - C. \$52,000
  - D. \$25,000
3. During 2022, Krum Corporation incurred expenses of \$160,000, of which \$95,000 was paid in cash with the remaining balance to be paid in 2023. Which of the following is correct for the 2022 year-end balance sheet?
  - A. Assets decrease \$160,000 and stockholders' equity decreases \$160,000
  - B. Stockholders' equity decreases \$160,000, assets decrease \$95,000, and liabilities increase \$65,000
  - C. Stockholders' equity decreases \$95,000 and assets decrease \$95,000
  - D. Assets decrease \$160,000, liabilities increase \$65,000, and stockholders' equity decreases \$160,000
4. Karkaroff Company made a deferred revenue adjustment. The adjustment includes a credit to a revenue account. This must mean that a(n):
  - A. Expense account was increased by the same amount
  - B. Asset account was decreased by the same amount
  - C. Liability account was decreased by the same amount
  - D. Expense account was decreased by the same amount
5. Which of the following does not impact Retained Earnings directly?
  - A. Net Income
  - B. Net Loss
  - C. Dividends
  - D. Stock issuances

6. Severus Corporation collected \$6,600 cash from a customer for December 2022's uniform services performed but the customer's total bill for December was \$9,100. Which of the following is true with respect to the Severus' financial statements using generally accepted accounting principles?
  - A. \$9,100 would be reported on the statement of cash flows
  - B. \$9,100 would appear on the income statement as service revenue earned
  - C. \$6,600 would appear on the balance sheet as prepaid expenses
  - D. \$9,100 would appear on the balance sheet as accounts receivable
7. When closing out balances at the end of an accounting period, which account would be debited to close?
  - A. Cost of Goods Sold
  - B. Sales Discounts
  - C. Sales Returns and Allowances
  - D. Sales
8. If owners' equity in a business decreased \$39,000 and during the same time period liabilities of the business increased \$93,000, business assets must have:
  - A. Decreased \$132,000
  - B. Decreased \$54,000
  - C. Increased \$132,000
  - D. Increased \$54,000
9. If Umbridge Co. has Common Stock of \$40,000, total assets of \$85,000, and total liabilities of \$35,000, its Retained Earnings equals:
  - A. \$10,000
  - B. \$45,000
  - C. \$50,000
  - D. \$55,000
10. Lupin Enterprises receives \$100,000 cash from its customers on account. Lupin uses the cash to pay off \$100,000 on a bank loan, the net result is that:
  - A. Assets would increase by \$100,000 while liabilities would decrease by \$100,000
  - B. Liabilities would decrease by \$100,000 while stockholders' equity would increase by \$100,000
  - C. Assets would decrease by \$100,000 and liabilities would decrease by \$100,000
  - D. Liabilities would decrease by \$100,000 and stockholders' equity would decrease by \$100,000

11. Lovegood Inc. signs a contract with Honeydukes Catering Corp. on June 1 in which Honeydukes agrees to cater a summer office party on July 1 for Lovegood for a total of \$25,000. Lovegood is to make an advance payment of \$5,000 on June 1st to be used to buy food and supplies to be consumed at the catered event, and will be billed for the balance on July 1, with 30 days to pay. Assuming both parties follow the terms of the contract and Lovegood pays the \$20,000 balance on July 15th, when should Honeydukes charge the food and supplies to expense?
- A. The costs should be charged to expense during June as the expenses are incurred.
  - B. The costs should be charged to expense on July 1st.
  - C. The costs should be charged to expense on July 15th.
  - D. The costs should be charged to expense on June 1<sup>st</sup>
12. Lestrangle Industries is a manufacturer of outdoor furniture. Which of the following expenses incurred during the year would not be reported as part of operating income in a multiple-step income statement?
- A. Cost of factory employee health insurance
  - B. Depreciation of sales office equipment
  - C. Interest on note payable
  - D. Property taxes on the factory
13. In June 2021, Neville Fitness announced that its line of protein shakes (a major line of business which represented 15% of Neville's revenue) was being discontinued. The protein shake line was ultimately sold in early 2022. In Neville's annual financial statements for 2021, three years of operations were presented in the income statement (2019, 2020, and 2021). Results of operations for the protein shake line would be reported AFTER income from continuing operations in the 2022 statements \_\_\_\_\_.
- A. Only for 2021 results
  - B. For 2021, 2020, and 2019 results
  - C. For none of the years. Gains or losses from the discontinued product line would not be presented until the product line was sold in 2022
  - D. For 2021 results only if there was a loss from operations for the protein shake line in 2021
14. Which of the following components of Form 10-K is not directly covered by the Accounting Standards Codification?
- A. Management's discussion and analysis
  - B. Segment information
  - C. Notes to the financial statements
  - D. Supplementary information

15. The following contains information from the records of Albus Engineers and Architects.

	2021	2022
Current Assets	\$57,000	\$198,750
Current Liabilities	12,000	79,500

In comparison, how has the current ratio changed from 2021 to 2022 for Albus?

- A. It has increased by 4.75
  - B. It has decreased by 4.75
  - C. It has increased by 2.25
  - D. It has decreased by 2.25
16. Closing entries are journalized and posted \_\_\_\_\_.  
A. Throughout the accounting period  
B. Before posting the adjusting entries  
C. After preparing the post-closing trial balance  
D. After preparing the financial statements
17. Which of the following should not be considered when comparing the Adjusted Trial Balance to the Post-Closing Trial Balance to ensure that no errors were made in the closing process?  
A. Account balances above Retained Earnings are the same  
B. The account balances on each of the trial balances are the same  
C. Account balances below Retained Earnings are zero  
D. The Retained Earnings account balance on the post-closing trial balance matches Retained Earnings on the balance sheet
18. Which of the following accounts will be included in a post-closing trial balance?  
A. Service Revenue  
B. Rent Expense  
C. Interest Expense  
D. Unearned Revenue
19. Salaries are \$6,500 per week for five working days and are paid weekly at the end of the day on Fridays. The end of the month falls on a Thursday. The accountant for Thomas, Inc. made the appropriate accrual adjustment and posted it to the ledger. The balance of Salaries Payable, as shown on the adjusted trial balance, will be a \_\_\_\_\_. (Assume that there was no beginning balance in the Salaries Payable account.)  
A. Credit balance of \$5,200  
B. Debit balance of \$1,300  
C. Debit balance of \$5,200  
D. Credit balance of \$1,300

20. Adjusting journal entries will never involve which account?

- A. Sales Revenue
- B. Accounts Payable
- C. Interest Expense
- D. Cash

**Short Answer**

1. The accounting records of Rubeus Distribution show the following assets and liabilities as of December 31, 2021 and 2022.

December 31	2021	2022
Cash	\$47,395	\$7,985
Accounts Receivable	\$25,726	\$20,170
Office Supplies	\$4,058	\$2,972
Office Equipment	\$124,574	\$132,695
Trucks	\$48,747	\$57,747
Building	\$0	\$162,503
Land	\$0	\$40,551
Accounts Payable	\$67,635	\$33,545
Note Payable	\$0	\$103,054

During 2022, the stockholders invested \$37,000 additional cash in the business (in exchange for common stock) and the company paid \$38,400 cash in dividends.

What is the company's net income for 2022?	
--	--

2. At the beginning of 2022, Diggory Corp.'s total stockholders' equity was \$525,000. During the year, Diggory reported the following:

- Net loss of \$78,750
- Additional common stock issued in exchange for land totaling \$210,000
- Collections of accounts receivable \$105,000
- Dividends declared and paid total \$5,250

What is Diggory's total stockholders' equity at the end of the year?	
--	--

3. On December 31, 2022, Figg Inc. prepared adjusting entries that included the following items:

- Depreciation expense: \$40,000
- Accrued sales revenues: \$30,000
- Accrued expenses: \$26,000
- Used insurance: \$6,000; the insurance was initially recorded as prepaid
- Rent revenue earned: \$4,000; the rent was initially prepaid by the tenant and credited to unearned rent revenue

If Figg reported total assets of \$380,000 prior to the adjusting entries, how much are Figg's total assets after the adjusting entries?
--

4. Suppose that Dudley Corp.'s adjusted trial balance ignored the following information. For each item, indicated what effects (overstated/understated), if any, these omissions would have on the stated components of Dudley's 2022 Income Statement and December 31, 2022 Balance Sheet.

Additional Information	12/31/2022 Assets	12/31/2022 Liabilities	12/31/2022 Owners' Equity	2022 Net Income
\$5,900 of cash dividends declared & paid in 2022 were unrecorded				
\$34,000 in depreciation on some equipment was unrecorded				
\$3,800 interest on a loan was not yet paid or recorded				

5. The classified balance sheet for a company reported current assets of \$1,754,109, total liabilities of \$812,540, Common Stock of \$1,130,000, and Retained Earnings of \$143,260. The current ratio was 2.7.

What is the total amount of noncurrent assets?
--



6. Patil Company had the following assets and liabilities at the beginning and end of the current year:
- |                   | Assets     | Liabilities |
|-------------------|------------|-------------|
| Beginning of year | \$ 229,000 | \$ 95,500   |
| End of the year   | \$ 260,000 | \$ 78,000   |

Common stock in the amount of \$22,500 was issued and dividends of \$6,500 were paid during the year.

What is the amount of net income for the year?	
--	--

7. Jordan Corporation has provided the following information for 2022:

- Revenues earned were \$74,000, of which \$7,000 were uncollected at the end of the year.
- Operating expenses incurred were \$32,000, of which \$6,000 were unpaid at the end of the year.
- Dividends declared were \$14,000, of which \$4,000 were unpaid at the end of the year.
- Income tax expense is \$15,120 calculated based on 2022 net income; will be paid in 2023.

What is the amount of net income reported on Jordan's income statement under accrual accounting and cash basis accounting?

Accrual Accounting Net Income	
Cash Basis Accounting Net Income	

8. Tonks Corporation declared and paid preferred dividends of \$50,000 in 2022. There were 100,000 weighted average common shares outstanding. 2022 Net income for the company totaled \$1,500,000. The company reported a loss from a discontinued component (net of tax) of \$50,000 and a loss on sale of discontinued component (net of tax) of \$10,000 during the year.

What was reported as earnings per share for continuing operations for 2022?	
---	--

9. Grimmer Industries had the following account balances at 12/31/22 (the end of its fiscal year):

Sales revenue	\$2,800,000	Selling expense	\$360,000
Foreign currency translation adjustment, gain	\$12,500	Interest expense	\$32,000
General and administrative expense	\$285,000	Cost of goods sold	\$1,585,000
Gain on sale of investments	\$21,500	Interest income	\$16,300

The company's tax rate was 25%.

What will Grimmer report as Other Comprehensive Income in its Statement of Comprehensive Income in 2022?	
What will Grimmer report as Comprehensive Income in its Statement of Comprehensive Income in 2022?	

10. In 2021 and 2022, Seamus Manufacturing reported its gross margin as follows:

	Seamus Manufacturing Partial Income Statement	
	<u>2021</u>	<u>2022</u>
Sales	\$1,680,000	\$1,835,000
Cost of Goods Sold	<u>\$750,400</u>	<u>\$884,600</u>
Gross Margin	<u>\$929,600</u>	<u>\$950,400</u>

In 2023, Seamus Manufacturing changed its inventory valuation method. If the new inventory method had been used in 2021 and 2022, cost of goods sold would have been less by \$25,000 in 2021 and by \$35,000 in 2022.

In the 2023 financial statements what should be reported for the 2022 gross margin?	
---	--

**Problem 1 (56 Points)**

Granger's Variety Store is completing the accounting process for the current year just ended December 31. The transactions during the year have been journalized and posted. The following data with respect to adjusting entries are available:

- A. Wages earned by employees during December, unpaid and unrecorded at December 31, amounted to \$4,500. The last payroll was December 28; the next payroll will be January 6.
- B. Office supplies on hand on January 1 of the current year totaled \$480. Office supplies purchased and debited to Office Supplies during the year amounted to \$620. The year-end count showed \$265 of supplies on hand.
- C. One-fourth of the basement space is rented to Florean's Ice Cream Parlor for \$620 per month, payable monthly. At the end of the current year, the rent for November and December had not been collected or recorded. Collection is expected in January of the next year.
- D. The store used delivery equipment all year that cost \$64,000; \$12,800 was the estimated annual depreciation.
- E. On July 1 of the current year, a two-year insurance premium amounting to \$3,120 was paid in cash and debited in full to Prepaid Insurance. Coverage began on July 1 of the current year.
- F. The remaining basement of the store is rented for \$2,400 per month to another merchant., B. Crouch Inc. Crouch sells compatible, but not competitive merchandise. On November 1 of the current year, the store collected six months' rent in the amount of \$14,400 in advance from Crouch; it was credited in full to Unearned Rent Revenue when collected.
- G. Granger's Variety Store operates a repair shop that meets its own needs. The shop also does repairs for B. Crouch. At the end of the current year, Crouch had not paid \$720 for completed repairs. This amount has not yet been recorded as Repair Shop Revenue. Collection is expected during January of next year.

Prepare the appropriate adjusting entries for Granger's Variety Store at December 31 of the current year. If no entry is required, write "No journal entry required" in the account field. Use the letter of the transaction as the date.

Date	General Journal	Debit	Credit


### Problem 2 (48 Points)

The adjusted trial balance for McGonagall Company at December 31, 2022 is presented below. Assume all balances are normal. Prepare a classified balance sheet for McGonagall Company as of December 31, 2022.

Accounts	Balances
Cash	\$12,000
Accounts Receivable	\$164,000
Prepaid Rent	\$8,000
Supplies	\$29,000
Equipment	\$350,000
Accumulated Depreciation	\$128,000
Accounts Payable	\$11,000
Salaries Payable	\$3,600
Interest Payable	\$1,300
Notes Payable (due in 2025)	\$20,000
Common Stock	\$150,000
Retained Earnings	\$190,100
Dividends	\$27,000
Service Revenue	\$430,000
Salaries Expense	\$184,000
Advertising Expense	\$77,000
Rent Expense	\$12,000
Depreciation Expense	\$34,000
Interest Expense	\$2,000
Utilities Expense	\$35,000
