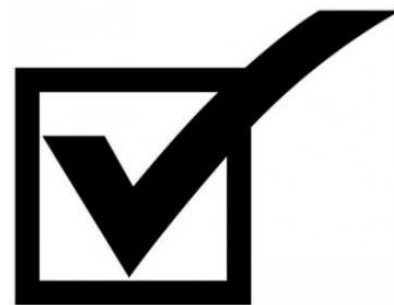




**BUSINESS
PROFESSIONALS**
of **AMERICA**
Giving Purpose to Potential



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. D | | | |
| 2. D | 7. D | 12. C | 17. B |
| 3. B | 8. D | 13. B | 18. D |
| 4. C | 9. A | 14. A | 19. A |
| 5. D | 10. C | 15. D | 20. D |
| 6. B | 11. B | 16. D | |

Short Answer (3 points each answer)

- 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?	\$106,559
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- 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?	\$651,000
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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?	\$364,000
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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	Overstated		Overstated	
\$34,000 in depreciation on some equipment was unrecorded	Overstated		Overstated	Overstated
\$3,800 interest on a loan was not yet paid or recorded		Understated	Overstated	Overstated

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?	\$331,691
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6. Patil Company had the following assets and liabilities at the beginning and end of the current year:

Assets Liabilities

	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?	\$32,500
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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	\$26,880
Cash Basis Accounting Net Income	\$41,000

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?	\$15.10
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9. Grimmauld 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 Grimmauld report as Other Comprehensive Income in its Statement of Comprehensive Income in 2022?	\$9,375
What will Grimmauld report as Comprehensive Income in its Statement of Comprehensive Income in 2022?	\$441,225

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?	\$985,400
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Problem 1 (56 Points – 2 points for each account name & 2 points for each amount.**Account names may vary slightly.)**

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
A	Salary & Wage Expense	\$4,500	
	Salary & Wage Payable		\$4,500
B	Supplies Expense	\$835	
	Supplies		\$835
C	Accounts Receivable	\$1,240	
	Rent Revenue		\$1,240

D	Depreciation Expense	\$12,800	
	Accumulated Depreciation		\$12,800
E	Insurance Expense	\$780	
	Prepaid Insurance		\$780
F	Unearned Rent Revenue	\$4,800	
	Rent Revenue		\$4,800
G	Accounts Receivable	\$720	
	Repair Shop Revenue		\$720

Problem 2 (48 Points – 1 point for each heading, account title, and amount)

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

McGonagall Company					
Balance Sheet					
December 31, 2022					
ASSETS			LIABILITIES		
Current Assets:			Current Liabilities		
Cash	\$12,000		Accounts Payable	\$11,000	
Accounts Receivable	164,000		Salary Payable	3,600	
Prepaid Rent	8,000		Interest Payable	<u>1,300</u>	
Supplies	<u>29,000</u>		Total Current Liabilities		15,900
Total Current Assets		213,000	Long-Term Liabilities		
Long-Term Assets			Notes Payable		<u>20,000</u>
Equipment	350,000		Total Liabilities		35,900
Accumulated Depreciation	<u>(128,000)</u>				
Total Long-Term Assets		<u>222,000</u>	STOCKHOLDERS' EQUITY		
			Common Stock	150,000	
			Retained Earnings	<u>249,100</u>	
			Total Stockholders' Equity		<u>399,100</u>
Total Assets		<u>\$435,000</u>	Total Liabilities & Stockholders' Equity		<u>\$435,000</u>