

Contestant ID: _____

Time: _____

Rank: _____



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

ADVANCED COLLEGE ACCOUNTING (115)

REGIONAL 2026

CONCEPT KNOWLEDGE:

Multiple Choice (25 @ 2 points each) _____ (50 points)

APPLICATION KNOWLEDGE:

Short Answer (32 @ 3 points each) _____ (96 points)

Problem 1: Adjusting Entries _____ (84 points)

Problem 2: Multi-Step Income Statement _____ (48 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. Contestant 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 1365 King Avenue, Columbus, Ohio 43212. 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 Contestant 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 decimals at the final step.
- Round all percentages to one decimal place.
- Use 360 days for interest calculations.

Multiple Choice Questions

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

1. How does receiving a bill for services provided, with payment due next month, impact the accounting equation?
 - A. Assets decrease; owner's equity decreases
 - B. Assets increase; liabilities increase
 - C. Liabilities increase; owner's equity increases
 - D. Liabilities increase; owner's equity decreases
2. Which of the following entries records the withdrawal of cash by Andrew Paulson, owner of a proprietorship, for personal use?
 - A. Debit Andrew Paulson, Capital; credit Cash
 - B. Debit Andrew Paulson, Drawing; credit Cash
 - C. Debit Salaries Expense; credit Cash
 - D. Debit Salaries Expense; credit Salaries Payable
3. The matching principle _____.
 - A. addresses the relationship between the journal and the balance sheet
 - B. determines whether the normal balance of an account is a debit or credit
 - C. requires that the dollar amount of debits equal the dollar amount of the credits on a trial balance
 - D. requires the revenues earned and related expenses should be reported in the same period
4. Accumulated Depreciation and Depreciation Expense are classified, respectively, as a/an _____ and a/an _____.
 - A. expense, contra asset
 - B. asset, contra liability
 - C. revenue, expense
 - D. contra asset, expense
5. Supplies are classified on the balance sheet as a _____.
 - A. current liability
 - B. current asset
 - C. long-term asset
 - D. long-term liability
6. What is the purpose of the closing process?
 - A. To end the accounting period with a profit
 - B. To transfer the income statement and drawing account balances to the owner's capital account
 - C. To prepare the balance sheet for the next year
 - D. To adjust the year end account balances for inflation

7. When comparing a service business to a retail business, the financial statement that changes the most is the _____.
 - A. balance sheet
 - B. income statement
 - C. statement of owner's equity
 - D. statement of cash flows
8. What is the primary purpose of an internal control system in an organization?
 - A. To maximize the company's profits by reducing operational costs.
 - B. To ensure that financial statements are prepared in compliance with accounting standards.
 - C. To safeguard assets, ensure accuracy of financial records, and promote operational efficiency.
 - D. To prevent employees from using company resources for personal gain.
9. The term "receivables" includes all _____.
 - A. money claims against other entities
 - B. merchandise to be collected from individuals or companies
 - C. cash to be paid to creditors
 - D. cash to be received from creditors
10. Which of the following is not true of a corporation?
 - A. Shareholders have limited liability for the corporation's debts.
 - B. It may sue and be sued.
 - C. The owners of a corporation are personally responsible for its liabilities.
 - D. It may buy, own, and sell property.
11. Which of the following is used to identify potential errors before creating formal financial statements?
 - A. Chart of accounts
 - B. Income Statement
 - C. Trial Balance
 - D. Bank reconciliation
12. Which of the following account groups contain only permanent accounts?
 - A. Cash, Fees Earned, Wages Expense
 - B. Accounts Receivable, Unearned Revenue, Notes Payable.
 - C. Supplies, Inventory, Utilities Expense
 - D. Owner's Capital, Rent Revenue, Supplies Expense
13. The chart of accounts lists balance sheet accounts normally in which order?
 - A. owner's equity, liabilities, assets
 - B. assets, owner's equity, liabilities
 - C. liabilities, assets, owner's equity
 - D. assets, liabilities, owner's equity

14. The account type and normal balance of Prepaid Expenses would be _____.
A. asset, debit
B. asset, credit
C. expense, debit
D. expense, credit
15. In what order are current assets typically listed on a balance sheet?
A. in alphabetical order
B. in the order of their liquidity, from most to least liquid
C. in the order of their market value
D. in the order of their purchase date
16. The term used to describe an expense that has not been paid and has not been recognized in the accounts by a standard entry is _____.
A. prepaid
B. deferred
C. accrued
D. corresponding
17. Adjusting entries always include _____.
A. one income statement account and one statement of owner's equity account
B. one balance sheet account and one statement of owner's equity account
C. one income statement account and one statement of cash flows account
D. one income statement account and one balance sheet account
18. Which of the following is considered to be an unearned revenue situation?
A. Subscriptions sold last month for last year's publications
B. Subscriptions sold yesterday on credit for next year's publications
C. Subscriptions not sold for this year's publications
D. Subscriptions sold for next year's publications
19. The general term used to indicate delaying the recognition of an expense already paid for or of a revenue for which cash has already been received is _____.
A. accrual
B. deferral
C. depreciation
D. accumulates
20. The act of transferring debits and credits from journal entries to general ledger accounts is called _____.
A. sliding
B. journalizing
C. transposing
D. posting

21. All of the following accounts are increased with a credit except _____.
A. Accounts Payable
B. Accounts Receivable
C. Fees Earned
D. Unearned Fees
22. Which of the following entries journalizes the payment of cash to a vendor for supplies received?
A. Debit inventory; credit cash
B. Debit supplies; credit cash
C. Debit supplies expense; credit cash
D. Debit cash; credit supplies expense
23. A company purchases office equipment for \$10,000. They pay \$4,000 in cash and promise to pay the remainder within 30 days. Which of the following journal entries correctly records this transaction?
A. Debit Office Equipment \$10,000; credit Cash \$10,000
B. Debit Office Equipment \$10,000; credit Cash \$4,000 and credit Accounts Payable \$6,000
C. Debit Office Equipment \$4,000; credit Cash \$4,000 and credit Accounts Payable \$6,000
D. Debit Office Equipment \$6,000; credit Cash \$6,000 and credit Accounts Payable \$4,000
24. Gross profit equals _____.
A. sales less cost of goods sold
B. sales less selling expenses
C. sales plus administrative expenses
D. sales plus cost of goods sold
25. Which step is completed first of those listed during the accounting cycle?
A. Adjustment data are assembled and analyzed
B. A post-closing trial balance is prepared
C. Transactions are posted to the general ledger
D. Financial statements are prepared

Short Answer (32 @ 3 points each, 96 points)

1. The following accounts appear in an adjusted trial balance for Green Thumb Groundskeeping. Indicate whether each account would be reported in the (a) Current Assets, (b) Property, Plant, and Equipment, (c) Current Liabilities, (d) Long-Term Liabilities, or (e) Owner's Equity section of the December 31 Balance Sheet of Green Thumb Groundskeeping by using the letter in parenthesis.

- | | |
|----------------------------------------|------------------------------|
| _____ 1. Ethan Carter, Capital | _____ 5. Accounts Receivable |
| _____ 2. Unearned Revenues | _____ 6. Vehicles |
| _____ 3. Notes Payable, due in 3 years | _____ 7. Accounts Payable |
| _____ 4. Cash | _____ 8. Prepaid Insurance |

2. Analyze the effect of the following transactions on the accounting equation using the table below. Account type choices are assets, liabilities, owner's equity, revenues and expenses; and indicate the effect on the account type.

- a) Received a utility bill for \$275 and will pay it next month.
- b) Withdrew \$2,500 for personal use.
- c) Paid weekly salaries of \$1,500 to employees.
- d) Performed \$3,200 of services and billed the customer.
- e) Paid \$850 to a vendor for supplies previously purchased on account.
- f) Collected \$1,900 of cash from customers on account.

An example has been provided: The owner deposited \$10,000 as an additional investment in the business.

Transaction	Debit		Credit	
	Account Type	Effect	Account Type	Effect
Example	Asset	Increase	Owner's Equity	Increase
a)				
b)				
c)				
d)				
e)				
f)				

PROBLEM 1 (28 @ 3 points each, 84 points)

Journalize each of the following adjusting entries based on the information provided.

- a. On February 1, Edge Marketing purchased a 2-year liability insurance policy for \$16,200 cash. The purchase was recorded to Prepaid Insurance. Journalize the March 31 adjusting entry.

- b. The supplies account had a beginning balance of \$2,400. Supplies purchased during the period totaled \$4,750. At the end of the period before adjustment, \$1,375 of supplies were on hand. Journalize the adjusting entry for supplies.

- c. Edge Marketing records depreciation for their equipment and building. Depreciation for the period ending March 31 is \$4,500 for the building and \$2,000 for office equipment. Journalize the two entries for depreciation.

- d. On January 1, Edge Marketing received \$36,000 for a service contract to be performed from January 1 through June 30. Assume the work is performed evenly throughout the contract period, journalize the adjusting entry on March 31.

- e. At the end of the current year, fees of \$7,250 have been earned and the accounting department has not yet sent bills to the customers. Journalize the adjusting entry for the accrued fees.

- f. Edge Marketing pays weekly salaries of \$25,000 for a 5-day work week ending on that day. Journalize the necessary adjusting entry at the end of the accounting period, assuming that the period ends on Tuesday.

PROBLEM 2 (48 points)

The adjusted trial balance for City Mercantile on December 31, 2025, is presented below. All accounts have normal balances. Prepare a multiple-step income statement for City Mercantile for the year ended December 31, 2025, and answer the questions provided.

Cash	\$65,000	Sales	\$759,850
Accounts Receivable	12,500	Interest Revenue	1,000
Inventory	40,000	Cost of Goods Sold	373,400
Office Supplies	1,400	Sales Salaries Expense	110,000
Prepaid Insurance	8,500	Advertising Expense	35,000
Office Equipment	187,000	Depreciation Expense-Store Equipment	12,000
Store Equipment	249,000	Miscellaneous Selling Expense	575
Accumulated Depreciation	175,000	Office Salaries Expense	47,500
Accounts Payable	45,000	Office Rent Expense	18,000
Salaries Payable	4,000	Depreciation Expense – Office Equipment	17,000
Notes Payable (long-term)	80,000	Insurance Expense	28,000
Owner's Capital	468,700	Office Supplies Expense - Selling	10,000
Owner's Drawing	50,000	Miscellaneous Administrative Expense	280
		Interest Expense	5,000

Gross Profit	
Total Selling Expenses	
Total Administrative Expenses	
Total Operating Expenses	
Operating Income	
Net Income	