

FUNDAMENTAL ACCOUNTING (100) —Secondary—

REGIONAL – 2020

CONCEPT KNOWLEDGE:

Multiple Choice (30 @ 2 points each) _____ (60 points)

True/False (20 @ 1 point each) _____ (20 points)

APPLICATION KNOWLEDGE:

Short Answer (7 @ 5 points each) _____ (35 points)

Job 1: Accounting Classification (60 @ 1 point each) _____ (60 points)

Job 2: Journalizing Transactions (39 @ 1 points each) _____ (39 points)

Job 3: Income Statement (24 @ 1 point each) _____ (24 points)

TOTAL POINTS _____ **(238 points)**

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

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

No more than ten (10) minutes orientation
No more than ninety (90) minutes testing time
No more than ten (10) minutes wrap-up

Property of Business Professionals of America.
May be reproduced only for use in the Business Professionals of America
Workplace Skills Assessment Program competition.

General Instructions

You have been hired as a Financial Assistant and will be keeping the accounting records for Professional Business Associates, located at 5454 Cleveland Avenue, Columbus, Ohio 43231. Professional Business Associates provides accounting and other financial services for clients. You will complete jobs for Professional Business Associates' 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 of knowledge.

Your name and/or school name should NOT appear on any work you submit for grading. Write your contestant number 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

Directions: Read each question carefully and place the answer that best matches the question or statement on the Scantron sheet or directly on the test copy.

1. The process of originally recording a business transaction in the accounting records is termed
 - a. journalizing.
 - b. footing.
 - c. posting.
 - d. balancing.

2. If liabilities total \$4,000 and the owner's equity totals \$32,000, the asset value is
 - a. \$ 4,000.
 - b. \$28,000.
 - c. \$32,000.
 - d. \$36,000.

3. The process of transferring information from the journal to the individual general ledger accounts is called
 - a. journalizing.
 - b. posting.
 - c. transferring.
 - d. closing.

4. What two types of transactions increase owner's equity?
 - a. investments and withdrawals
 - b. withdrawals and revenues
 - c. revenues and investments
 - d. withdrawals and expenses

5. An endorsement on the back of a check consisting of the words "For Deposit Only to Account" is a
 - a. blank endorsement.
 - b. restrictive endorsement.
 - c. special endorsement.
 - d. regular endorsement.

6. In accounting, the terms debit and credit indicate, respectively,
 - a. increase and decrease.
 - b. decrease and increase.
 - c. left and right.
 - d. right and left.

7. Which financial statement is a depiction of the fundamental accounting equation?
 - a. Balance Sheet
 - b. Income Statement
 - c. Statement of Owner's Equity
 - d. Statement of Earnings

8. The amount closed to Capital from Income Summary represents
 - a. the beginning capital account balance.
 - b. the ending capital account balance.
 - c. the amount of withdrawals made during the fiscal period.
 - d. the net income or loss during the fiscal period.

9. Performing adjusting entries to bring asset account balances up-to-date is an application of what accounting concept?
 - a. Business Entity
 - b. Matching Expenses with Revenues
 - c. Realization of Revenue
 - d. Going Concern

10. Which of the following is a permanent account?
 - a. Salary Expense
 - b. Fees Income
 - c. Equipment
 - d. Drawing

11. The journal entry to close the revenue accounts is
 - a. debit Income Summary; credit Owner's Capital.
 - b. debit each revenue account; credit Income Summary for the total revenue.
 - c. debit Income Summary for the total revenue; credit each revenue account.
 - d. debit Owner's Capital; credit Income Summary.

12. Supplies purchased on account for future use in the business are called
 - a. expenses.
 - b. prepaid expenses.
 - c. liabilities.
 - d. prepaid liabilities.

13. Using an EFT to make a payment for your heating/cooling bill will result in
 - a. a debit to Cash and a credit to Services Revenue.
 - b. a debit to Cash and a credit to Utilities Expense.
 - c. a debit to Utilities Expense and a credit to Cash.
 - d. a debit to Accounts Receivable and a credit to Cash.

14. Separating the owner's personal records from those of the business represents the
 - a. Business Entity concept.
 - b. Going Concern concept.
 - c. Consistent Reporting concept.
 - d. Objective Evidence concept.

15. Temporary accounts start each fiscal period with
 - a. debit balances.
 - b. credit balances.
 - c. zero balances.
 - d. both debit and credit balances.

16. The financial statements of a business
 - a. include the balance sheet, income statement, and income tax return.
 - b. are the first step in the accounting process.
 - c. are prepared for a fee by the Financial Accounting Standards Board.
 - d. provide information about the profitability and financial position of the company.

17. At the end of a fiscal period, the second closing entry will be to close
 - a. expense accounts into the Income Summary account.
 - b. revenue accounts into the Income Summary account.
 - c. the withdrawal account into the capital account.
 - d. expense accounts into the capital account.

18. Accounts that are continuous from one accounting period to the next and their balances are carried forward are referred to as
 - a. temporary accounts.
 - b. permanent accounts.
 - c. signature accounts.
 - d. single-step accounts.

19. If expenses exceed revenue during a given fiscal period,
 - a. owner's equity will decrease more than assets.
 - b. assets will decrease more than liabilities.
 - c. the Income Statement will show a net loss.
 - d. the Cash account will decrease.

20. Owner's equity is
 - a. the amount taken out of a business by the owner for personal use.
 - b. the financial interest of the owner in the business.
 - c. the amount the owner invested in the business.
 - d. the revenues less the expenses.

21. The journal entry to adjust the Prepaid Insurance account is
 - a. debit Prepaid Insurance; credit Insurance Expense.
 - b. debit Insurance Expense; credit Prepaid Insurance.
 - c. debit Income Summary; credit Prepaid Insurance.
 - d. debit Insurance Expense; credit Income Summary.

22. Which of the following accounts would *not* appear on the Post-Closing Trial Balance?
 - a. Accounts Payable
 - b. S. Grumpy, Drawing
 - c. Equipment
 - d. S. Grumpy, Capital

23. The assets and owner's equity of a company are \$205,000 and \$115,000, respectively. Liabilities must be equal to
 - a. \$ 90,000.
 - b. \$115,000.
 - c. \$205,000.
 - d. \$320,000.

24. There are four types of transactions that affect Owner's Equity. Which two types of transactions decrease Owner's Equity?
 - a. Revenues and expenses
 - b. Expenses and owner's withdrawals
 - c. Revenues and owner's investments
 - d. Owner's withdrawals and revenue

25. Accounts are listed in the general ledger
 - a. chronologically.
 - b. alphabetically.
 - c. in accordance with their appearance on the Chart of Accounts.
 - d. so that accounts used most often are listed first.

26. A fiscal year
 - a. is a twelve month period that may be different for different companies.
 - b. is determined by the federal government.
 - c. begins on January 1.
 - d. should end at a company's busiest time.

27. In accounting terms, a creditor's claim against the assets of a business is referred to as
 - a. a liability.
 - b. an asset.
 - c. a debit.
 - d. a credit.

28. In accounting terms, the money that flows into a business through normal operations is referred to as
- an asset.
 - an account receivable.
 - revenue.
 - owner's equity.
29. The information for the worksheet comes from the
- Income Statement.
 - Balance Sheet.
 - general journal.
 - general ledger.
30. Net Income is achieved when
- expenses are greater than revenue.
 - assets are greater than liabilities.
 - revenue is greater than expenses.
 - revenue is greater than liabilities.

DEBITS AND CREDITS/True or False

Directions: Read each statement and determine whether it is true or false. If using a Scantron sheet use **A for true and B for false**. If writing on the test, use **T** for true and **F** for false.

- _____ 31. A credit always decreases an account's balance.
- _____ 32. A debit can represent an increase or decrease to an account's balance.
- _____ 33. Assets normally have a debit balance.
- _____ 34. The "left side" of an account's structure is the credit side.
- _____ 35. The owner's drawing account is increased on the credit side and decreased on the debit side.
- _____ 36. Whether a debit or credit increases or decreases an account's balance depends on the type of account.
- _____ 37. A credit increases an expense account's balance while a debit reduces an expense account's balance.
- _____ 38. Debits and credits are the accounting terms used to identify the left and right sides of an account.
- _____ 39. Revenue accounts normally have a debit balance.
- _____ 40. Liability and Equity accounts normally have credit balances.

- _____ 41. A debit increases a liability account while a credit decreases a liability account.
- _____ 42. Expense and drawing accounts normally have a credit balance.
- _____ 43. Debits always have to equal credits.
- _____ 44. All permanent accounts have a normal balance that is either a debit balance or a credit balance.
- _____ 45. The left side of an account represents the credit side.
- _____ 46. Expense accounts normally have debit balances.
- _____ 47. A liability account is increased on the credit side and decreased on the debit side.
- _____ 48. Liability, equity, and revenue accounts normally have a debit balance.
- _____ 49. A debit decreases the capital account while a credit increases the capital account.
- _____ 50. A credit decreases a revenue account while a debit increases a revenue account.

SHORT ANSWER

1. Reilly's Inc.'s bank statement shows a balance of \$25,000. There are outstanding checks totaling \$12,110, outstanding deposits totaling \$2,320, and a bank service charge of \$25. What would be the bank statement balance after the accountant has performed a bank reconciliation?

1. _____

2. At the beginning of the fiscal period, the owner's capital account is \$104,800. The owner made an additional investment of \$10,000 and withdrew \$48,000. The business showed a net loss for the fiscal period of \$6,150. How much is the owner's capital balance at the end of the fiscal period?

2. _____

3. Cross Associates' Accounts Receivable account has a total of \$78,800 in debits and \$49,100 in credits. What is the current amount owed by customers to the company?

3. _____

4. EJ's Texas Eats' payroll for this pay period included: 2 managers each being paid \$4,200 per pay period; 14 waitstaff being paid \$4.10 per hour for a total of 552 hours (*no waitstaff worked over 40 hours*).

4a. What is the total salary expense for the pay period? 4a. _____

4b. How much is the Social Security tax liability for this pay period? Tax rate for Social Security is 6.2%. 4b. _____

5. During the month of August, Linnie's Hair Design had the following transactions involving revenue and expenses:

Provided services to clients on account totaling, \$12,400

Paid rent, \$1,300

Paid for advertising, \$450

Provided services to clients, \$2,100

Paid salaries, \$8,970

Paid for repairs to equipment, \$380

Did Linnie's Hair Design have a net profit or loss for August? 5a. _____

What is the dollar amount of the net profit or loss? 5b. _____

JOB 1 – ACCOUNT IDENTIFICATION

Directions: For each account, indicate its classification, its normal balance side, and on which financial statement(s) the account appears. Use the appropriate abbreviations for your answers.

<u>Classifications</u>		<u>Normal Balance Side</u>		<u>Financial Statements</u>	
A	= Asset	DR	= Debit	BS	= Balance Sheet
L	= Liability	CR	= Credit	IS	= Income Statement
OE	= Owner’s Equity	N	= Neither	N	= None
R	= Revenue				
E	= Expenses				

<u>Temporary/Permanent Account</u>	
P	= Permanent
T	= Temporary

Account Name	Classification	Normal Balance	Permanent/ Temporary	Financial Statement(s)
Accounts Receivable	_____	_____	_____	_____
Petty Cash	_____	_____	_____	_____
Rental Revenue	_____	_____	_____	_____
Accounts Payable	_____	_____	_____	_____
J. Stall, Drawing	_____	_____	_____	_____
Salary Expense	_____	_____	_____	_____
Income Summary	_____	_____	_____	_____
J. Stall, Capital	_____	_____	_____	_____
Supplies	_____	_____	_____	_____
Mortgage Payable	_____	_____	_____	_____
Prepaid Insurance	_____	_____	_____	_____
Buildings	_____	_____	_____	_____
Advertising Expense	_____	_____	_____	_____
Office Equipment	_____	_____	_____	_____
Cash	_____	_____	_____	_____

JOB 2 – JOURNALIZING TRANSACTIONS

Santiago Legal Services opened for business on February 1, 2020. The company uses the general ledger accounts listed in the Chart of Accounts. Analyze each transaction into its debit and credit parts and place the account number(s) of the account title(s) to be debited and credited on the line under the appropriate column.

Santiago Accounting Services Chart of Accounts	
Acct. No.	Account Name
110	Cash
120	Petty Cash
130	AR/J. Heath
140	AR/J. Gallagher
150	Supplies
160	Prepaid Insurance
170	Office Equipment
210	AP/Standard Supply, Inc.
220	AP/W. B. Mason
310	J. Santiago, Capital
320	J. Santiago, Drawing
330	Income Summary
410	Legal Fees
510	Advertising Expense
520	Cash Short/Over
530	Miscellaneous Expense
540	Rent Expense
550	Repairs Expense
560	Salary Expense
570	Supplies Expense
580	Utilities Expense

		DEBIT	CREDIT
Feb 1	Received cash from the owner as an investment, \$80,000	_____	_____
Feb 2	Wrote a check to Gelinas Realty for rent, \$1,500	_____	_____
Feb 4	Issued a check to MetPro Insurance Company for a year's worth of insurance, \$2,400	_____	_____
Feb 5	Performed legal work for J. Heath on credit, \$1,820	_____	_____

		DEBIT	CRED
IT			
Feb 7	Bought supplies from Standard Supply, Inc., \$940. Paid \$500 now with the remainder on account	_____	_____
Feb 9	Wrote a check to establish a petty cash fund with an initial balance of \$250	_____	_____
Feb 14	Paid cash on account to Standard Supply, Inc., \$440	_____	_____
Feb 15	Issued a check to the owner for personal expenses, \$750	_____	_____
Feb 18	Received a check from J. Gallagher in the amount of \$800 for legal work worth \$1,400. The remainder will be billed on account.	_____	_____
Feb 20	Wrote a check for repairs to the company laptop, \$270	_____	_____
Feb 23	Paid a check to utility company for monthly electric bill, \$420	_____	_____
Feb 24	Received a check from A. Keegan for legal work performed, \$820	_____	_____
Feb 25	Sent payment on account to W.B. Mason, \$400	_____	_____
Feb 26	Discovered a debit entry to Supplies Expense should have been recorded to Supplies, \$60. Journalize the correcting entry for this error.	_____	_____
Feb 27	Received a check on account from J. Heath for payment in full from legal work performed, \$1,820	_____	_____
Feb. 27	The owner withdrew supplies from the company for his personal use.	_____	_____
Feb. 28	Wrote a check for \$70 to petty cash for reimbursing the petty cash fund; supplies \$27, miscellaneous expense \$16, advertising, \$25; the cash balance in the fund indicated a shortage of \$2	_____	_____

