



**COLLEGE**

**ACCOUNTING**

(105)

**REGIONAL 2022**

**CONCEPT KNOWLEDGE:**

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

True/False (10 @ 2 points each) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (20 points)

**APPLICATION KNOWLEDGE:**

Short Answer \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (76 points)

Financial Statements \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (50 points)

Transaction Analysis \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (76 points)

***TOTAL POINTS*** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ***(262 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 to two decimal places at the final step.
* Round all percentages to one decimal place.
* Use 360 days for interest calculations.

**Multiple Choice Questions**

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

1. Currently, the organization with the primary responsibility for formulating U.S. generally accepted accounting principles is the \_\_\_\_\_\_\_.
   1. American Institute of Certified Public Accountants
   2. Securities and Exchange Commission
   3. Financial Accounting Standards Board
   4. Internal Revenue Service
2. The economic resources that are expected to provide a future benefit and can be expressed in monetary terms are called \_\_\_\_\_\_\_.
   1. Stockholders’ equity
   2. Revenues
   3. Liabilities
   4. Assets
3. The obligations that an entity must pay in money or services at some time in the future because of past transactions or events are called \_\_\_\_\_\_\_.
   1. Liabilities
   2. Expenses
   3. Stockholders’ equity
   4. Assets
4. The increases to a company’s resources that result when goods or services are provided to customers are called \_\_\_\_\_\_\_.
   1. Assets
   2. Liabilities
   3. Expenses
   4. Revenues
5. Which of the following is presented in a statement of stockholders’ equity?
   1. Revenues
   2. Expenses
   3. Net income
   4. Assets
6. An income statement does not include \_\_\_\_\_\_\_.
   1. Operating expenses
   2. Cost of goods sold
   3. Dividends
   4. Sales
7. The assumption that an entity will continue to operate indefinitely and will not be sold or liquidated is called \_\_\_\_\_\_\_.
   1. Objectivity principle
   2. Going concern concept
   3. Cost principle
   4. Accounting entity concept
8. Which of the following errors may *not* escape detection when a trial balance is taken?
   1. Failing to record or enter a particular transaction
   2. Entering a transaction more than once or entering one or more amounts in the wrong accounts
   3. Making an error that exactly offsets the effect of another error
   4. Transposing two numbers when posting a journal entry
9. Which one of the following is *not* a reason for which adjusting entries are made?
   1. To close the income statement accounts and prepare them for the following year’s activity
   2. To allocate used or expired assets to reflect expenses incurred in the period
   3. To allocate the earned portion of unearned revenue to reflect revenues earned during the period
   4. To accrue expenses to reflect expenses incurred in the period that are not yet paid or recorded
10. Which of the following is a distinguishing characteristic of a deferral?
    1. It affects at least one liability account
    2. It always impacts the cash account
    3. It includes the adjustment of an amount previously recorded in a balance sheet account
    4. It increases a balance sheet account and decreases an income statement account
11. An adjusting entry will *not* take the format of which one of the following entries?
    1. A debit to an expense account and a credit to a liability account
    2. A debit to an asset account and a credit to a revenue account
    3. A debit to an expense account and a credit to a revenue account
    4. A debit to a liability account and a credit to a revenue account
12. Which one of the following errors causes an understatement of net income?
    1. Failure to accrue revenue earned but not billed
    2. Failure to accrue wages earned but not yet paid to employees
    3. Failure to record depreciation expense
    4. Failure to record payment of account payable
13. The Income Summary account \_\_\_\_\_\_\_.
    1. appears in a post-closing trial balance
    2. receives entries only at year-end, even though income or loss is assumed to be incurred throughout the year
    3. reflects the net balance of all revenues, expenses, and dividends just before the account is closed
    4. is closed by a debit entry when there is a loss for the period
14. Which financial statement must be prepared first?
    1. Statement of Cash Flows
    2. Balance Sheet
    3. Statement of Comprehensive Income
    4. Income Statement
15. Which of the following subtotals will *not* appear on an income statement for a service provider?
    1. Income before taxes
    2. Gross Margin
    3. Operating Income
    4. Net Sales
16. The rules of debit and credit require increases to be posted to the \_\_\_\_\_\_.
    1. Debit
    2. Credit
    3. Normal balance
    4. None of these are correct
17. Posting is performed by transferring information from the journal to the \_\_\_\_\_\_.
    1. Income Statement
    2. General Ledger
    3. Balance Sheet
    4. Worksheet
18. Revenues should be recorded when \_\_\_\_\_\_.
    1. the contract is signed
    2. the bill is sent to the customer
    3. payment is received from the customer
    4. it is earned
19. When the balance in the Income Summary account is a credit, the company has \_\_\_\_\_\_.
    1. not paid dividends during the period
    2. incurred a net loss
    3. incurred net income
    4. more liabilities than assets
20. Which of the following accounts would most likely be depreciated?
    1. Supplies
    2. Prepaid Insurance
    3. Equipment
    4. Patent

**True/False**

1. Debits are always on the left.
   1. True
   2. False
2. Liabilities are always increased with a debit.
   1. True
   2. False
3. All Stockholders’ Equity accounts are increased with a credit.
   1. True
   2. False
4. Adjusting entries never involve cash.
   1. True
   2. False
5. All public corporations are required to use accrual accounting.
   1. True
   2. False
6. The totals on the Post-Closing Trial Balance equal the totals on the Balance Sheet.
   1. True
   2. False
7. On the balance sheet, assets are listed in order of magnitude.
   1. True
   2. False
8. Deferred Revenue is a liability account.
   1. True
   2. False
9. Accumulated Depreciation has a normal debit balance.
   1. True
   2. False
10. All public corporations are required to follow GAAP.
    1. True
    2. False

**Short Answer**

1.On January 1, 2021, Jetson Black Corporation's retained earnings account had a balance of $1,570,000. During 2021 the company had revenues of $270,000 and expenses of $186,000. On December 31, the company’s retained earnings had a balance of $1,601,000. Determine the amount of dividends paid during 2021.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2. If the beginning Cash account balance of The Leaky Faucet was $36,800, the ending balance was $20,400, and total cash received during the period was $88,000, what amount of cash was paid out during the period?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

3. Weston’s Appliance Center has 6 employees who are paid $24 per hour. At December 31, 2021, each of Weston’s employees had worked 18 hours which had not been paid or recorded. Prior to adjustments, the company’s trial balance showed $171,400 in the wages expense account. If Weston’s makes the appropriate adjusting entry, how much will be reported on the December 31, 2021 income statement as wage expense?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4. Snacker Company received an advance payment of $72,000 for a consulting contract during the year. The balance in the Unearned Consulting Fees account at the beginning of the year was $8,000. At the end of the year, $4,000 was still unearned. How much will Snacker report as Consulting Revenue on its income statement for the year?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

5. Remift Corp. reported total stockholders’ equity of $870,000 on its Dec 31, 2020, balance sheet. The following information is available for the year ended Dec 31, 2021:

| Revenues | $1,260,000 |
| --- | --- |
| Expenses | $990,000 |
| Assets, on December 31, 2021 | $2,432,000 |

What are the total liabilities of the company on December 31, 2021?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

6. Drivet Inc. reported the following year-end amounts:

| Total Sales | $16,800 |
| --- | --- |
| Sales Discounts | 300 |
| Sales Returns | ? |
| Cost of Goods Sold | 10,500 |
| Gross Profit | 2,175 |

What is the company’s Sales Returns for the year?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

7. Wong’s purchased a new piece of equipment at a cost of $240,000 on January 1, 2022. The tractor has an estimated salvage value of $40,000 and an estimated life of 8 years.

a. How much depreciation expense will Wong’s report on December 31, 2022?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

b. What will Wong’s report as accumulated depreciation on December 31, 2022?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

c. How much depreciation expense will Wong’s report on December 31, 2025?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

d. What will Wong’s report as accumulated depreciation on December 31, 2025?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

e. How much depreciation expense will Wong’s report in total after 8 years?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

f. What will be the balance in accumulated depreciation after 8 years?

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

8. For each account, indicate whether the account is permanent or temporary, what the normal balance is, and which financial statement(s) the account appears on.

|  | Permanent (P) Temporary (T) | **Normal Balance**  Debit (D) Credit (C) | **Financial Statement**  Income Statement (IS), Stockholders’ Equity (SHE), Balance Sheet (BS) |
| --- | --- | --- | --- |
| Cash |  |  |  |
| Fees Earned |  |  |  |
| Accounts Payable |  |  |  |
| Dividends |  |  |  |
| Wages Expense |  |  |  |
| Equipment |  |  |  |
| Common Stock |  |  |  |
| Advertising Expense |  |  |  |
| Supplies |  |  |  |
| Cost of Goods Sold |  |  |  |

9. Place an X in the proper column.

|  | Closed to  Income Summary |  | Closed to  Retained Earnings |  | Not  Closed |
| --- | --- | --- | --- | --- | --- |
| Sales Returns |  |  |  |  |  |
| Inventory |  |  |  |  |  |
| Accounts Receivable |  |  |  |  |  |
| Interest Revenue |  |  |  |  |  |
| Cost of Goods Sold |  |  |  |  |  |
| Cash Dividends |  |  |  |  |  |
| Income Summary |  |  |  |  |  |
| Common Stock |  |  |  |  |  |
| Bonds Payable |  |  |  |  |  |
| Petty Cash |  |  |  |  |  |

**Problem 1 (50 Points)**

Use Griff’s adjusted trial balance to prepare the company’s income statement, statement of stockholders’ equity, and balance sheet. Assume the income tax rate is 25%.

| GRIFF  Adjusted Trial Balance  For Year Ending December 31, 2021 | | |
| --- | --- | --- |
|  | Debit | Credit |
| Cash | $ 44,000 |  |
| Accounts receivable | 28,000 |  |
| Inventory | 18,000 |  |
| Equipment | 376,000 |  |
| Accumulated depreciation |  | $ 72,000 |
| Accounts Payable |  | 32,000 |
| Salaries Payable |  | 4,000 |
| Notes payable (due in 2028) |  | 60,000 |
| Common stock |  | 130,000 |
| Retained earnings |  |  |
| Sales |  | 326,000 |
| Sales Discounts | 23,000 |  |
| Cost of Goods Sold | 244,000 |  |
| Interest Expense | 12,000 |  |
| Rent expense | 44,000 |  |
| Salaries expense | 116,000 |  |
| Depreciation expense | 42,000 |  |

| Gross Profit |  |
| --- | --- |
| Operating Income |  |
| Income Before Taxes |  |
| Net Income/(Loss) |  |
| Retained Earnings balance as of December 31, 2021 |  |
| Total Current Assets |  |
| Total Non-current Assets |  |
| Total Current Liabilities |  |
| Total Non-current Liabilities |  |
| Total Stockholders’ Equity |  |

**Problem 2 (76 points)**

Complete the horizontal worksheet for the following transactions using the accounts below, and total the columns to prove the balance sheet as of December 31

1. Herman invested $7,500 cash on November 1st and received common stock in return.
2. On November 1, Pastime Inc. paid $3,100 to cover 4 months of rent.
3. On November 2, Pastime Inc. purchased equipment for $4,440. The equipment was paid for with a $2,500 cash down payment and the rest on a note payable. The equipment has an estimated useful life of 5 years (or 60 months).
4. On November 3, Pastime Inc. purchased $2,520 of office supplies on account.
5. Pastime Inc. billed customers $4,650 for services provided.
6. Pastime Inc. paid $1,500 towards the office supplies purchased on November 3.
7. Pastime Inc. received payment of $4,200 from customers previously billed.
8. On December 31, record the adjustment for rent that was prepaid on November 1.
9. On December 31, supplies on hand amounted to $820.
10. On December 31, record the depreciation on the equipment.
11. Unpaid wages at December 31 were $210.
12. Dividends of $300 are declared.
13. Services performed for clients but not yet billed on December 31 were $380. The bill will be sent in early January and payment is expected within 30 days.

|  | ***Assets*** | | | | | | ***Liabilities*** | | | | ***Stockholders’ Equity*** | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Cash | Acc. Rec. | Office Supplies | Prepaid Rent | Equip. | Accum. Dep. | Acc. Pay. | Wages Pay | Div. Pay. | Note Pay. | Com. Stk. | Sales Rev. | Exp. | Div. |
| 1) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 3) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 4) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 5) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 6) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 7) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 8) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 9) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 10) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 11) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 12) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 13) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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