



**ADVANCED COLLEGE**

**ACCOUNTING**

(115)

**REGIONAL 2022**

**CONCEPT KNOWLEDGE:**

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

**APPLICATION KNOWLEDGE:**

Short Answer (17 @ 3 points each) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (51 points)

Problem 1: Income Statement \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (76 points)

Problem 2: Balance Sheet \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (70 points)

 ***TOTAL POINTS*** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ ***(237 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 (20 @ 2 points each = 40 points)**

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

**SHORT ANSWER (17 @ 3 points each = 51 points)**

1. Seaborn Co. has a debit balance of $220 in its allowance for doubtful accounts. The amount of credit sales for the period is $96,000, and the balance in accounts receivable is $18,000. Assume that the expected credit losses are estimated to be 9% of accounts receivable.

a. What amount of bad debt expense will Seaborn Co. report for the year? **$1,840**

b. What will be the ending balance in the Allowance for Doubtful Accounts? **$1,620**

2. Ziegler Inc. has a credit balance of $1,440 in its allowance for doubtful accounts. The amount of credit sales for the period is $192,000, and the balance in accounts receivable is $36,000. Assume that the bad debt estimates are 0.5% of credit sales.

a. What amount of bad debt expense will Ziegler Inc. report for the year? **$960**

b. What will be the ending balance in the Allowance for Doubtful Accounts? **$2,400**

3. The aging schedule at December 31, 2021, for Cregg Corp. shows the following breakdown of total accounts receivable.

|  |  |
| --- | --- |
| **Status** | **Amount** |
| Not past due | $455,000 |
| Past due 1-30 days | 108,000 |
| Past due 31-60 days | 55,000 |
| Past due over 60 days |  14,000 |
| Total | $632,000 |

The company considers the risk of credit losses to be similar within the aging pools and estimates the following credit loss rates by pool: not past due, 0.5%; past due 1-30 days, 1%; past due 31-60 days, 2%; and past due over 60 days, 8%. The Allowance for Doubtful Accounts has an $800 credit balance before adjustment.

a. What amount of bad debt expense will Cregg Corp. report for the year? **$4,775**

b. What will be the ending balance in the Allowance for Doubtful Accounts? **$5,575**

4. McGarry Company had a beginning balance of $835,000 and an ending of $1,064,000 in Accounts Receivable. Sales on account were $6,300,000 for the year and the company wrote off accounts totaling $4,620 during the year. What were cash collections from sales during the year?

 **$6,066,380**

5. Referring to the information below, indicate the income statement and balance sheet impacts in each case if the appropriate adjusting entry was not recorded on December 31, 2021.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Net Income | Assets | Liabilities |
| Interest expense of $420 for the month of December 2021 will be paid in January 2022. | Overstated $420 |  | Understated $420 |
| Unbilled revenue for services performed in December 2021 is $3,600. The company will prepare and forward invoices for this amount in January 2022 to customers with a 30-day collection term. | Understated $3,600 | Understated $3,600 |  |
| $1,200 cash was received in advance on November 30, 2021, for future services to be performed; half of the services were performed in December 20, 2021. | Understated $600 |  | Overstated $600 |
| Acquired a two-year insurance policy on January 1, 2020, for $12,000 cash that was recorded initially as prepaid insurance. | Overstated $6,000 | Overstated $6,000 |  |
| Depreciation on equipment is $14,000 for 2021 | Overstated $14,000 | Overstated $14,000 |  |

**PROBLEM 1 (76 points)**

Use the data from the Adjusted Trial Balance of Bartlet Inc. on December 31, 2021 below to prepare the multi-step income statement, including the EPS disclosure. Bartlet has no preferred stock; there were 15,000 shares of common stock outstanding from January 1, 2021 until April 30, 2021, and 22,500 shares outstanding from May 1, 2021 until the end of the year.

|  |  |
| --- | --- |
| Accounts Payable | $18,300 |
| Accounts Receivable | 17,200 |
| Accumulated Depreciation  | 20,000 |
| Cash | 8,000 |
| Common Stock | 35,000 |
| Cost of Goods Sold | 633,300 |
| Depreciation Expense | 13,500 |
| Equipment | 105,000 |
| Income Taxes (Ordinary Operations) | 3,500 |
| Insurance Expense | 9,000 |
| Interest Expense | 5,000 |
| Inventory | 36,200 |
| Loss due to flooding (unusual & infrequent) | 38,000 |
| Loss on operations from discontinued business segment | 56,000 |
| Loss on sale of Equipment | 2,000 |
| Notes Payable | 47,500 |
| Prepaid Insurance | 6,000 |
| Rent Expense | 29,000 |
| Retained Earnings | 14,200 |
| Salaries Expense | 110,000 |
| Sales Revenue | 914,000 |
| Utilities Expense | 10,600 |

**Grader: Each shaded item is worth 4 points**

|  |
| --- |
| **Bartlet Inc.** |
| **Income Statement** |
| **Year Ended December 31, 2021** |
| **Sales Revenue** |  | **914,000** |
| **Cost of Goods Sold** |  | **(633,300)** |
| **Gross Profit** |  | **280,700** |
| **Operating Expenses:** |  |  |
| **Depreciation Expense** | **13,500** |  |
| **Insurance Expense** | **9,000** |  |
| **Rent Expense** | **29,000** |  |
| **Salaries Expense** | **110,000** |  |
| **Utilities Expense** | **10,600** | **(172,100)** |
| **Operating Income** |  | **108,600** |
| **Non-Operating Revenue & Expense** |  |  |
| **Interest Expense** | **(5,000)** |  |
| **Loss on sale of equipment** | **(2,000)** | **(7,000)** |
| **Income before taxes** |  | **101,600** |
| **Income Tax** |  | **(3,500)** |
| **Income from Continuing Operations** |  | **98,100** |
| **Loss from Business Segment** |  | **(56,000)** |
| **Income before extraordinary items** |  | **42,100** |
| **Loss due to flooding** |  | **(38,000)** |
| **Net Income** |  | **$4,100** |
|  |  |  |
| **EPS from Continuing Operations** | **$4.91** |  |
| **EPS Discontinued Operations** | **($2.80)** |  |
| **EPS** | **$0.21** |  |

**PROBLEM 2 (70 points)**

The consolidated balance sheet of C. Young & Partners follows. For each of the missing items *a* through *n* determine the balances that appear on the complete balance sheet and record on the attached answer sheet.

|  |  |  |
| --- | --- | --- |
| **Assets** |  | **Liabilities and Stockholders' Equity** |
| Current assets |  |  |  | Current liabilities  |  |   |
| Cash and cash equivalents |  | $ 15,293  |  | Accounts payable  | $128,214  |   |
| Marketable securities  |  | ***a.***  |  | Deferred Revenue  | ***f.*** |  |
| Accounts receivables  | $230,523  |  |  | Income taxes payable  |  9,632  |   |
| Less: Allowance for doubtful account | ***b***. |  221,132  |  | Dividends Payable  |  7,340  |   |
| Inventories  |  |  302,630  |  | Accrued expenses  |  8,481  |   |
| Prepaid expenses |  |  13,353  |  | Total current liabilities  |  | $166,145  |
| Total current assets  |  | ***c*.** |  | Long-term Liabilities: |  |  |
| Property, plant, and equipment |  |  |  | Bonds Payable  |  | ***g.*** |
| Land  |  18,723  |  |  | Pension liability  |  |  52,704  |
| Building  | ***d*.**  |  |  | Total liabilities  |  | ***h.*** |
| Less: Accumulated depreciation | 175,136 | 235,173 |  |  |  |  |
| Equipment and machinery  |  293,201  |  |  | Stockholders’ equity  |  |   |
| Less: Accumulated depreciation  |  155,513  | ***e.*** |  | Preferred stock, no-par value (authorized 15,000 shares, issued 3,600 shares) | ***i.***  |   |
| Total property, plant, and equipment  |  |  391,584  |  |
| Investments  |  |  22,310  |  | Common stock, $5 par value (authorized 600,000 shares, issued 30,000 shares) | ***j.***  |   |
| Other assets  |  |  11,889  |  |
| Total assets |  | $992,661  |  | Additional paid-in capital  | 110,588  |   |
|   |  |  |  | Total contributed capital  |  | ***k.***  |
|   |  |  |  | Retained earnings  |  |   |
|   |  |  |  | Appropriated  |  37,500  |   |
|   |  |  |  | Unappropriated  | **l.**  |  272,207  |
|   |  |  |  | Total retained earnings and contributed capital  |  | ***m.***  |
|   |  |  |  | Less treasury stock (5,132 shares) |  |  32,714  |
|   |  |  |  | Total stockholders’ equity  |  | 521,502  |
|   |  |  |  | Total liabilities and stockholders’ equity  |  | ***n.***  |

**Grader: Each answer is worth 5 points**

|  |  |
| --- | --- |
| a. | **$14,470** |
| b. | **$9,391** |
| c. | **$566,878** |
| d. | **$410,309** |
| e. | **$137,688** |
| f. | **$12,478** |
| g. | **$252,310** |
| h. | **$471,159** |
| i. | **$21,421** |
| j. | **$150,000** |
| k. | **$282,009** |
| l. | **$234,707** |
| m. | **$554,216** |
| n. | **$992,661** |