**UIL ACCOUNTING**

**Invitational 2011-B**

**Group 1**

**In items 1 through 11 are listed some of the accounts that appear in the Account Title section of a work sheet. Indicate whether the normal account balance will be entered in the debit or the credit column of the Trial Balance section of the work sheet using the following code:**

**DR = Trial Balance debit column**

**CR = Trial Balance credit column**

1. Red Adair, Capital 7. Sales

2. Store Equipment 8. Merchandise Inventory

3. Rent Expense 9. Red Adair, Drawing

4. Accounts Payable 10. Sales Tax Payable

5. Service Revenue 11. Transportation In

6. Accounts Receivable

**Group 2**

**You are the payroll clerk for Ranger Co. After reviewing the payroll records, you observed that three employees are approaching the 2010 maximum taxable amount for social security of $106,800. These employees do not earn a salary or wages; they earn only commissions based on the sales they generate.**

**You prepared the following electronic spreadsheet to determine how much more in sales each employee needed to reach the maximum taxable amount for social security. Then an electric power surge resulted in some lost data.**

**For questions 12 through 14, write the correct amount or percentage on your answer sheet.**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Earnings to Date** | **Commission Rate** | **Additional Sales Needed** |
| Wiley Smythe | 81,840 | Q# 12 | 624,000 |
| Justin Lippert | 77,740 | 5% | Q# 13 |
| Sara Fitzsimmons | Q# 14 | 6% | 135,000 |

**Group 3**

**Some amounts are omitted in each of the following financial statements:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Income Statement** | | | |
| **For the Year Ended December 31, 2010** | | | |
|  | **Lion Company** | **Tiger Company** | **Bear Company** |
| Revenues | (a) | 81,615 | 27,695 |
| Expenses | 54,285 | 87,209 | (g) |

|  |  |  |  |
| --- | --- | --- | --- |
| **Owner’s Equity Statement** | | | |
| **For the Year Ended December 31, 2010** | | | |
|  | **Lion Company** | **Tiger Company** | **Bear Company** |
| Capital, January 1 | 84,615 | 4,209 | (h) |
| Additional Capital Investment | (b) | 30,000 | 40,000 |
| Net Income <Loss> | 7,532 | (d) | <18,720> |
| Drawing | 1,000 | 10,000 | -0- |
| Capital, Dec. 31 | 93,647 | (e) | 25,025 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Balance Sheet** | | | |
| **December 31, 2010** | | | |
|  | **Lion Company** | **Tiger Company** | **Bear Company** |
| Total assets | (c) | 40,289 | 61,299 |
| Total liabilities | 17,892 | (f) | (i) |
| Total owner’s equity |  |  |  |

**Determine the missing amounts for items “a” through “i” and write the correct amount for each on your answer sheet. A net loss must be indicated by brackets or parentheses.**

15. Item a

16. Item b

17. Item c

18. Item d

19. Item e

20. Item f

21. Item g

22. Item h

23. Item i

**Group 4**

**For question #24, write the correct amount on your answer sheet. Steinbeck Company has three employees who are paid weekly as follows:**

|  |  |
| --- | --- |
| **George Milton** | **$12 per hour with overtime for hours worked over 40 hours in a week at a rate of time and a half** |
| **Slim Carlson** | **$700 salary per week** |
| **Lennie Small** | **$500 salary per week plus 2.5% commission on sales** |

**Last week each employee worked standard hours except George who worked 49 hours. Lennie sold $18,200 of merchandise.**

\* 24. What is the total gross pay for the week on the Payroll Register for all three

employees?

**Group 5**

**Use the following information for questions 25 and 26. Write the identifying letter of the best response on your answer sheet. Payroll tax expense per employee is based on the following:**

|  |  |
| --- | --- |
| **Social Security** | **6.2% on gross earnings up to $106,800** |
| **Medicare** | **1.45% on all earnings** |
| **Federal Unemployment Tax** | **.8% on first $7,000 of gross earnings** |
| **State Unemployment Tax** | **.45% on first $9,000 of gross earnings** |

\* 25. An employee has cumulative gross wages of $6,140 in the first quarter. In the

second quarter, if the current gross wages are $2,200, what is the total amount

of employer’s payroll tax expense on this employee for the second quarter only?

A. $168.30 B. $185.08 C. $195.80 D. $731.54 E. $742.26

\* 26. A second employee has cumulative gross wages of $6,880 in the first quarter. In

the second quarter, if current gross wages are $2,340, what is the total amount of

employer’s payroll tax expense on this employee for the second quarter only?

A. $180.51 B. $189.51 C. $208.26 D. $801.83 E. $820.58

**Group 6**

**For questions 27 through 36, write the identifying letter of the correct concept that is violated in each independent case. Each concept may be used only once.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **A** | **Accounting Period Cycle** |  | **G** | **Historical Cost** |
| **B** | **Business Entity** |  | **H** | **Matching Principle** |
| **C** | **Conservatism** |  | **I** | **Objective Evidence** |
| **D** | **Consistent Reporting** |  | **J** | **Realization of Revenue** |
| **E** | **Full Disclosure** |  | **K** | **Unit of Measure** |
| **F** | **Going Concern** |  |  |  |

27. A recent college graduate who majored in computer science opened her own

home-based business, which quickly grew to include clients in Canada. Her income

statement included revenue reported in U.S. dollars and in Canadian dollars.

28. The owner of a dry cleaning business used checks for most business expenditures.

He wrote receipts for most of the revenue earned and depended on his memory to

record the rest.

29. A sole-proprietor included his family’s household expenses in the financial

statements of his landscaping business.

30. The accountant failed to prepare adjusting entries for Prepaid Insurance and

Office Supplies.

31. A sale was made on account and the goods changed hands on July 25. The buyer

paid the seller on August 10. The seller recorded the sale in August.

32. In one year a restaurant reported revenue in seven different revenue accounts,

one for each day of the week. Then in the next year it reported revenue in three

different revenue accounts, one each for breakfast, lunch, and dinner.

33. The owner of a moving company found a real bargain when he purchased a used

trailer for $2,000. In shopping for this trailer, all the other used trailers were priced

at $3,000. The owner decided to record the cost of the trailer he purchased at

$3,000 and credited the extra $1,000 to his capital account.

34. In one year a coffee shop prepared financial statements every three months. Then

the next year the coffee shop used a one-year reporting period.

35. Ben started a new business, but wasn’t sure if that was really what he wanted to do

as a career. Therefore, he decided it wasn’t important to keep any accounting

records.

36. An accountant knew the owner was most interested in the detail of the business

expenses because expenses had been increasing dramatically. The accountant

decided to report only “Total Expenses” on the income statement because it would

save paper.

**Group 7**

**Reconcile the bank statement using the following T-account form. (The form will not be reviewed by graders.) Then answer questions 37 and 38.**

|  |  |  |  |
| --- | --- | --- | --- |
| Kate’s Gift Shop | | | |
| Bank Reconciliation | | | |
| December 31, 2010 | | | |
| Bank Statement Balance, 12/29 |  | Checkbook Balance, 12/31 |  |
| Add: |  | Add: |  |
|  |  |  |  |
| Deduct: |  | Deduct: |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

On December 31, Kate received the company bank statement dated Dec. 29 and reviewed it along with other accounting records and found the following facts:

1. The ending bank balance was $8,330.91

2. The checkbook balance on Dec. 31 before reconciliation was $12,008.42

3. The following checks were written in November, were outstanding in November,

and still did not appear on this bank statement:

check #5088…$1,189.72 check #5089…$30.00

4. The following checks were written in December and did not appear on this bank

statement: check #5099…$492.27 check #5121…$107.94

check #5120…$649.87 check #5122…$110.00

5. The bank charged $19.80 for the month’s service charge

6. A check in the amount of $54.38 from Poure Chance that Kate deposited on Dec. 19 was

returned by the bank for insufficient funds. The bank charged Kate’s account $25 for

handling the NSF check. No journal entry has been made yet by Kate for the NSF check

or its related fee.

7. A deposit of $6,115.44 made on Dec. 30 does not appear on the bank statement.

8. A check Kate wrote in early December for $465 made out to Best Gifts Company was lost

in the mail and never found. Kate requested a stop payment order, which cost $21

and was issued by Kate’s bank on Dec. 29. Kate needs to record this fee and the

voided check in the checkbook. She plans to write a replacement check on Jan. 3.

9. Kate’s review of the bank statement reminded her that she had used the debit card

on this account to make a $44 payment at the post office and forgot to record it in

the company checkbook.

10. The bank statement revealed an electronic funds transfer to a vendor for $442.69 that Kate

forgot to record in the company checkbook. This forgetfulness caused her to schedule a

long-overdue vacation.

**For questions 37 and 38 write the correct amount on your answer sheet.**

37. What is the total of the deductions listed on the checkbook side of the T account

form?

\*38. What is the reconciled bank balance as of December 31, 2010?

**Group 8**

**For questions 39 through 43, write the identifying letter of the best response on your answer sheet.**

**On the first day of May, the Petty Cash account had a balance of $100, which agreed to the amount of actual cash in the petty cash box. During the month the fund was increased by $50. Actual vouchers in the box on May 31 before replenishment totaled $137.12. At the time of replenishment on May 31, it was determined that the fund was over by $1.62.**

39. Prior to May, the entry to first establish the petty cash fund consisted of

A. a credit to the Petty Cash account for $100

B. a debit to the Petty Cash account for $100

C. a credit to Cash in Bank for $150

D. a debit to Cash in Bank for $100

E. both A and D

40. The entry during the month of May to record the increase in the Petty Cash fund

included a

1. debit to the Petty Cash account for $48.38
2. credit to the Petty Cash account for $48.38
3. debit to the Petty Cash account for $50.00
4. credit to the Petty Cash account for $50.00

41. The entry on May 31 to replenish the petty cash fund would include a

A. debit to the Petty Cash account for $137.12

B. credit to the Petty Cash account for $137.12

C. credit to the Cash in Bank account for $135.50

D. credit to the Cash in Bank account for $137.12

42. The entry on May 31 to replenish the petty cash fund would include a

A. debit to the Petty Cash account for $1.62

B. debit to Cash Short and Over for $1.62

C. credit to Cash Short and Over for $1.62

D. credit to Petty Cash for $1.62

43. The actual amount of cash in the petty cash box on May 31 prior to the

replenishment was

A. zero

B. $1.62

C. $12.88

D. $14.50

E. $16.12

**Group 9**

**Wile E. Coyote owed the three suppliers $59,680 as of December 31, 2010, and one of these was Acme Co. for $19,275. On January 31, 2011 the balance of the controlling account for Accounts Payable had increased by $4,756 since the beginning of the month.**

**From Wile E.’s**

**General Ledger**:

**Accounts Payable**

|  |  |
| --- | --- |
|  | (01-01-11) |
|  |  |
| (Jan 2011)\_\_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_ (Jan 2011) |
|  |  |
|  | (01-31-11) |
|  |  |

**Wile E.’s Accounts Payable Subsidiary Ledger:**

**Looney Tunes Supply Debit Credit Balance**

|  |  |  |  |
| --- | --- | --- | --- |
| 01-01-11 |  |  | ? |
| Jan 2011 | 15,000 | ? | ? |

**Warner Bros. Co. Debit Credit Balance**

|  |  |  |  |
| --- | --- | --- | --- |
| 01-01-11 |  |  | ? |
| Jan 2011 | 15,000 | 15,011 | 19,000 |

**Acme Co. Debit Credit Balance**

|  |  |  |  |
| --- | --- | --- | --- |
| 01-01-11 |  |  | ? |
| Jan 2011 | 16,500 | ? | 22,899 |

**For questions 44 through 46, write the correct amount on your answer sheet. All three of these questions examine the subsidiary account of Looney Tunes Supply:**

\* 44. What was the balance of the account on 12-31-10?

45. What was the balance of the account on 01-31-11?

46. How much did Wile E. purchase from Looney Tunes Supply in the month of

January?

**Group 10**

**For questions 47 through 50, write the identifying letter of the best response on your answer sheet.**

**The accountant for a retail store was concerned when he noticed that purchases returned had increased from 2009 to 2010 by about 49%. His concern was that the merchandise they had been buying might have more defects or that the quality of service from their suppliers might be declining. He then analyzed the following detailed information:**

|  |  |  |
| --- | --- | --- |
|  | **2009** | **2010** |
| Purchases | 101,615 | 191,625 |
| Transportation In | 3,057 | 4,169 |
| Purchases Returns | 5,260 | 7,840 |
| Purchases Discounts | 4,680 | 5,260 |

\*47. Which of the following is a correct statement?

A. The accountant is right to be concerned for the reasons stated above, and he should recommend to the owner that different suppliers be found immediately.

B. Using vertical component percentages, it is evident that returns as a percentage

of gross purchases has increased from 2009 to 2010.

C. Using vertical component percentages, it is evident that returns as a percentage

of gross purchases has decreased from 2009 to 2010.

D. The percentage increase of 49% in purchases returned as one indicator is not a

matter of concern because errors in one period will reverse themselves in the

next period.

48. What is the correct amount of Cost of Delivered Merchandise for 2010?

A. $94,732 B. $104,672 C. $182,694 D. $195,794 E. $203,634

49. What is the correct amount of Net Purchases for 2010?

A. $94,732 B. $104,672 C. $182,694 D. $195,794 E. $203,634

50. Given that beginning inventory is $35,260 and ending inventory is $39,812, what is

the correct amount of Cost of Merchandise Sold for 2010?

1. $90,180 B. $129,992 C. $178,142 D. $217,954

**Group 11**

**Shaffer Company is a retail establishment and uses the following order to close the temporary accounts at the end of the fiscal year:**

* **Close appropriate accounts with credit balances in one combined entry.**
* **Close appropriate accounts with debit balances in one combined entry.**
* **Close the Income Summary account.**
* **Close the owner’s drawing account.**

**The adjusted trial balance for Shaffer Company for the calendar year 2010 follows. All accounts have normal balances. Suze Shaffer invested $25,000 in cash in her business during 2010.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Cash in Bank** | **15,780** |  | **Sales Discounts** | **3,409** |
| **Accounts Receivable** | **5,420** |  | **Sales Returns & Allow.** | **2,687** |
| **Merchandise Inventory** | **15,902** |  | **Purchases** | **42,045** |
| **Prepaid Insurance** | **772** |  | **Transportation In** | **2,748** |
| **Equipment** | **22,790** |  | **Purchases Discounts** | **2,681** |
| **Trucks** | **56,218** |  | **Purchases Returns & Allow.** | **485** |
| **Accounts Payable** | **11,784** |  | **Rent Expense** | **7,380** |
| **Suze Shaffer, Capital** | **110,804** |  | **Salary Expense** | **10,000** |
| **Suze Shaffer, Withdrawals** | **12,000** |  | **Payroll Tax Expense** | **956** |
| **Income Summary** | **973 DR** |  | **Advertising Expense** | **1,486** |
| **Sales** | **77,096** |  | **Insurance Expense** | **2,284** |

**For questions 51 through 61, write the correct amount on your answer sheet.**

51. What was the balance of Suze Shaffer, Capital on January 1, 2010?

52. What was the amount that affected Income Summary in the first closing entry?

53. What was the amount that affected Income Summary in the second closing entry?

\*54. What was the amount of the third closing entry?

\*55. What was the balance of Suze Shaffer, Capital on 12-31-10 after all closing entries

were posted?

\*56. What was the amount of beginning inventory on January 1, 2010?

57. What was the amount of Prepaid Insurance on the trial balance of the work sheet

for the year ended 12-31-10?

\*58. What was the subtotal of the balance sheet debit column on the work sheet for the

year ended 12-31-10 before net income or net loss is calculated?

59. What is the amount of net sales?

\*60. What is the amount of gross profit?

61. What is the amount of cost of merchandise available for sale?

**Group 12**

**Ben is 25 years old and is not married. Ben graduated from college with a degree in industrial engineering and has worked for the same company for 3 years. He has received several merit raises in the past two years.**

**Ben uses accounting software called EasyBooks to track his personal banking activity. The deposit summary for the year 2010 showed the following:**

|  |  |
| --- | --- |
| **net amount received from his paychecks as an engineer** | **45,410** |
| **taxable interest earned on his checking account** | **17** |
| **taxable interest earned on his savings account** | **31** |
| **transfer from his savings account to his checking account on**  **June 15, 2010 to pay for his vacation in Europe** | **5,000** |

**In January of 2011, Ben received a Form W-2 from his employer which included the following information:**

|  |  |
| --- | --- |
| **Box 1 (Wages, tips, other compensation)** | **60,000** |
| **Box 2 (Federal income tax withheld)** | **10,000** |
| **Box 4 (Social security tax withheld)** | **3,720** |
| **Box 6 (Medicare tax withheld)** | **870** |

**Ben cannot be claimed as a dependent on his parents’ tax return. Therefore, Ben is allowed to deduct the standard deduction of a single filer $5,700 and the personal exemption allowed for 2010 which is $3,650.**

**On February 3, 2011 Ben prepared correctly IRS Form 1040EZ for 2010. He used the tax tables correctly and calculated his tax to be $8,855.**

**For questions 62 through 64, write the correct amount on your answer sheet.**

62. What is the amount of Ben’s adjusted gross income?

\*63. What is the amount of Ben’s taxable income?

64. What is the amount of Ben’s refund?

**Group 13**

**Refer to the information in Table 1 and the work sheet on page 13 for questions 65 through 80.**

**On your answer sheet for questions 65 through 71, write “True” if the statement is true; write “False” if the statement is false.**

65. The cost of merchandise available for sale on the income statement for 2010 is

$29,087

66. The balance of Prepaid Insurance on the unadjusted trial balance of the work sheet

is larger than the balance of Prepaid Insurance on the Post-Closing Trial Balance

dated 01-01-11 by $2,202.

67. The adjustment to record Sales invoice #2648 includes a debit to Accounts

Receivable for $780 plus sales tax at a rate of 8%.

68. The Income Statement for 2010 will include Sales of $50,150.

69. The balance of Blanca Western, Capital on the Post-Closing Trial Balance dated

January 1, 2011 is $25,906

70. The adjustment for inventory includes a credit to Income Summary for $780.

71. The adjusting entry for supplies includes a credit to the asset account called Supplies for $3,744.

**Continue to refer to Table 1 and the work sheet. For questions 72 through 80 write the correct identifying letter on your answer sheet.**

\*72. What is the balancing column total for the unadjusted trial balance?

A. $55,702 B. $78,923 C. $83,125 D. $83,570 E. $83,644 F. $84,869

\*\*73. What amount was paid for the insurance policy purchased in the previous fiscal year

on 04-01-09?

A. $519 C. $1,557 E. $2,076 G. $2,244

B. $561 D. $1,683 F. $2,202 H. $2,763

\*74. What amount should be reported for Prepaid Insurance on the Balance Sheet of

December 31, 2010?

A. zero B. $519 C. $561 D. $1,080 E. $2,244

75. The insurance expense for 2010 includes

A. twelve months @ $187

B. nine months @ $173 and three months @ $187

C. three months @$173 and nine months @$187

D. twelve months @ $173 and nine months @ $187

E. twelve months @ $173

76. What amount was the beginning balance for 2010 in the general ledger account

called Supplies?

A. $519 B. $550 C. $615 D. $3,679 E. $3,744 F. $4,294

**Group 13 continued**

\*77. The 2010 gross profit percentage is

A. 41% B. 41.08% C. 41.11% D. 42% E. 43% F. 58%

\*78. The subtotal of the worksheet balance sheet debit column before net income or net

loss is calculated is

A. $34,274 B. $36,491 C. $41,212 D. $48,378 E. $50,595

\*79. What amount should be reported for Total Expenses on the Income Statement for

the year ended December 31, 2010?

A. $12,900 B. $18,401 C. $18,846 D. $21,900 E. $27,401 F. $27,846

\*80. If all of the adjustments and correcting entries had not been plotted on the work

sheet, net income would have been

A. overstated by $4,721 C. overstated by $6,938

B. understated by $4,721 D. understated by $6,938

**This is the end of the exam. Please keep your answer sheet and test questions until the contest director asks for them. Thank you.**

***Table 1***

**(For questions 65 through 80)**

**The new accountant for Digital Express gathered the following information in order to prepare the annual adjusting entries for December 31, 2010. (The accountant determined that no monthly adjusting or closing entries were made during 2010.)**

* **The Prepaid Insurance account contains an increase of $2,244 for a one-year policy acquired on April 1, 2010. The balance of Prepaid Insurance on the unadjusted Trial Balance is $2,763. The balance in Prepaid Insurance as of 01-01-10 represents three-twelfths of the policy premium paid on 04-01-09 that expired in 2010 and requires an adjustment. The premium paid on April 1, 2010 also requires an adjustment for the portion of that policy’s premium that has expired in 2010. The accountant handled both in one combined adjusting entry for insurance.**
* **The balance in the Supplies account on the unadjusted trial balance is $4,294. Supplies purchased during 2010 were $3,679. A physical inventory of supplies on December 31, 2010 indicates $550 of supplies on hand.**
* **The balance in the Accounts Receivable account on the unadjusted trial balance is $12,690. An invoice #2648 for $780 for a tax-exempt sale on account to a customer dated 12-26-10 was originally thought to be voided until a shipping document proved otherwise. The accountant elected to record Invoice #2648 as an adjusting entry. The new accountant also made a reminder note to review internal control procedures for recording sales invoices.**
* **Merchandise Inventory on the unadjusted trial balance is $8,195. A physical inventory on December 31, 2010 indicates $8,640 on hand.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Digital Express** | | | | | | |
| **Work Sheet** | | | | | | |
| **For Year Ended December 31, 2010** | | | | | | |
| **Account Title** | **Trial Balance** | | **Adjustments** | | **Adjusted Trial Balance** | |
|  | **Debit** | **Credit** | **Debit** | **Credit** | **Debit** | **Credit** |
| **Cash** | **4,270** |  |  |  |  |  |
| **Accounts Receivable** |  |  |  |  |  |  |
| **Prepaid Insurance** |  |  |  |  |  |  |
| **Supplies** |  |  |  |  |  |  |
| **Merchandise Inventory** |  |  |  |  |  |  |
| **Accounts Payable** |  | **1,585** |  |  |  |  |
| **Blanca Western, Capital** |  | **32,689** |  |  |  |  |
| **Blanca Western, Drawing** | **9,000** |  |  |  |  |  |
| **Income Summary** |  |  |  |  |  |  |
| **Sales** |  | **49,370** |  |  |  |  |
| **Purchases** | **29,532** |  |  |  |  |  |
| **Rent Expense** | **9,780** |  |  |  |  |  |
| **Utilities Expense** | **3,120** |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
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