**UIL ACCOUNTING**

**State 2013-S**

**Group 1**

**Indicate where each item (1 through 10) would be found in the following sections of a classified balance sheet and income statement of Blue Boys, Inc. for the year ended December 31, 2012. Write the identifying letter(s) of the correct section(s) on your answer sheet.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **A** | **Administrative Expenses** |  | **G** | **Operating Revenues** |
| **B** | **Cost of Merchandise Sold** |  | **H** | **Other Expenses** |
| **C** | **Current Assets** |  | **I** | **Other Revenue** |
| **D** | **Current Liabilities** |  | **J** | **Property, Plant and Equipment** |
| **E** | **Investments** |  | **K** | **Selling Expenses** |
| **F** | **Long-Term Liabilities** |  | **L** | **Stockholders’ Equity** |

 1. Dividends Payable (due March 1, 2013)

 2. Loss on Plant Assets

 3. Paid-in Capital in Excess of Par—Common

 4. Federal Corporate Income Tax Payable (due March 15, 2013)

 5. Book value of accounts receivable

 6. Interest Income

 7. Merchandise Inventory as of January 1, 2012

 8. Unearned Rental Income (will be earned by May 1, 2013)

 9. Merchandise Inventory as of December 31, 2012

10. Retained Earnings

**Group 2**

**At the end of its fiscal year (12-31-12), after all accounts determined to be uncollectible have been written off and before any adjusting entries are recorded, the following information is available:**

|  |  |
| --- | --- |
| **Accounts Receivable** | **42,695** |
| **Allowance for Uncollectible Accounts** | **107 credit** |
| **Net sales** | **98,400** |
| **Total charge sales** | **42,900** |
| **The aging of accounts receivable indicates****uncollectible accounts of** | **1,160** |

**For questions 11 and 12, write the identifying letter of the correct response on your answer sheet.**

11. What is the amount of bad debt expense for 2012 if the aging method is used to estimate uncollectible accounts?

 A. $858 C. $1,053 E. $1,267

 B. $965 D. $1,160 F. $1,968

 12. If the company were to estimate uncollectible accounts based on 2% of total sales

 on account, what would be the book value of accounts receivable on the balance

 sheet dated 12-31-12?

 A. $40,620 C. $41,428 E. $41,730

 B. $40,727 D. $41,535 F. $41,837

**Group 3**

**One of the items sold at Zane’s Electronics is an electronic organizer. The following shows the beginning inventory and purchases information for the year.**

**During the year 52 organizers were sold for $110 each and 63 organizers were sold for $115 each. The company uses a periodic inventory system.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Number of****Units** | **Cost per Unit** | **Extended****Amount** |
| **1-1-12** | **Beginning Inventory** | **32** | **51.90** | **1,660.80** |
| **Jan** | **Purchase** | **10** | **52.00** | **520.00** |
| **Mar** | **Purchase** | **5** | **52.82** | **264.10** |
| **Apr** | **Purchase** | **15** | **53.70** | **805.50** |
| **May** | **Purchase** | **8** | **55.00** | **440.00** |
| **July** | **Purchase** | **12** | **55.00** | **660.00** |
| **Nov** | **Purchase** | **36** | **55.40** | **1,994.40** |
| **Dec** | **Purchase** | **17** | **55.60** | **945.20** |
|  |  | **135** |  | **7,290.00** |

**For questions 13 through 15, write the identifying letter of the best response on your answer sheet.**

\*13. What is the amount of gross profit for the year if the FIFO method of inventory valuation is used?

 A. $4,563.60 D. $6,786.40

 B. $6,713 E. $6,787

 C. $6,755 F. $7,335.80

14. What is the amount of gross profit for the year if the LIFO method of inventory valuation is used?

 A. $4,563.60 D. $6,786.40

 B. $6,713 E. $6,787

 C. $6,755 F. $7,335.80

15. What is the amount of gross profit for the year if the average cost method of inventory valuation is used?

 A. $4,563.60 D. $6,786.40

 B. $6,713 E. $6,787

 C. $6,755 F. $7,335.80

**Group 4**

**For questions 16 through 31, on your answer sheet write the identifying letter(s) of the correct account(s) to be debited or credited for each entry.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **A** | Accumulated Depreciation |  | **H** | Interest Expense |
| **B** | Allowance for Uncollectible Accounts |  | **I** | Interest Income |
| **C** | Depreciation Expense |  | **J** | Interest Payable |
| **D** | Dividends |  | **K** | Interest Receivable |
| **E** | Federal Income Tax Expense |  | **L** | Merchandise Inventory |
| **F** | Federal Income Tax Payable |  | **M** | Retained Earnings |
| **G** | Income Summary |  | **N** | Uncollectible Accounts Expense |

**The question numbers are listed in the appropriate debit and credit columns. The “XXXX” indicates that no response is required.**

|  |  |  |
| --- | --- | --- |
|  | **DEBIT** | **CREDIT** |
| Adjusting entry for the depreciation expense for the period | 16. | 17. |
| Reversing entry for accrued interest income | 18. | 19. |
| Closing entry for the account called Dividends | 20. | 21. |
| Adjusting entry for actual income tax owed when estimates are underpaid | 22. | 23. |
| Closing entry for Interest Income | XXXX | 24. |
| Reversing entry for accrued interest expense | 25. | 26. |
| Closing entry for Income Summary with a net loss | 27. | 28. |
| Adjusting entry for the uncollectible accounts expense for the period using the percentage of net sales method | XXXX | 29. |
| Adjusting entry for a increase in merchandise inventory | 30. | 31. |

**Group 5**

**Various accrual and deferral transactions are listed below with the question numbers 32 through 42 appearing in the debit and credit columns. Use the following chart of accounts to indicate what type of account is debited and credited. Write the identifying letter of the correct response on your answer sheet.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **A** | **Asset** |  | **D** | **Revenue** |
| **B** | **Liability** |  | **E** | **Expense** |
| **C** | **Capital** |  |  |  |
|  | **Debit** | **Credit** |
| When a deferred expense is purchased | 32. | XXXX |
| When a previously unearned revenue has now been earned | 33. | 34. |
| When an expense has been incurred but not yet paid | 35. | 36. |
| When an unearned revenue is received | 37. | 38. |
| When a previously deferred expense has now been used  | 39. | 40. |
| When a revenue has been earned but not yet received | 41. | 42. |

**Group 6**

**Sunshine Corp adjusts its books monthly using the accrual basis of accounting and closes its books at the end of its fiscal year, which is September 30. Sunshine Corp uses the banker’s year of 360 days and rounds computations to the nearest cent.**

**On September 30, 2012 Sunshine Corp borrowed money from the First Alliance Bank by signing a $5,940, 180-day non-interest-bearing note. The bank discounted the loan at a rate of 5%.**

**For questions 43 through 45, write the correct amount on your answer sheet.**

43. What is the maturity value of the note?

\*44. What amount would be recorded in Discount on Notes Payable on 9-30-12?

45. What is the amount of the proceeds?

**Group 7**

**The following account balances were taken from the end of fiscal year financial statements of Pink Ladies, Inc. for December 31, 2012:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Cash in Bank** | **12,675** |  | **Accounts Payable** | **4,610** |
| **Net Accounts Receivable** | **12,325** |  | **Fed. Inc. Tax Payable (due 3-15-13)** | **1,500** |
| **Merchandise Inventory** | **10,640** |  | **Dividends Payable (due 2-15-13)** | **2,000** |
| **Supplies** | **2,160** |  | **Sales Taxes Payable (due 1-20-13)** | **1,890** |
| **Prepaid Insurance** | **2,200** |  | **Long-Term Notes Payable (due 2-1-15)** | **20,000** |

**For questions 46 through 48, write the identifying letter of the best response on your answer sheet.**

46. What is the amount of working capital?

 A. $ 5,000 D. $25,000

 B. $ 8,065 E. $30,000

 C. $10,000 F. $40,000

 \*47. The quick ratio is \_\_?\_\_ to 1.

 A. **.**4 B. **.**83 C. 1**.**25 D. 1**.**27 E. 2**.**5 F. 5**.**42

\*48. The current ratio is \_\_?\_\_ to 1.

 A. **.**24 B. **.**4 C. 1**.**33 D. 2**.**72 E. 2**.**94 F. 4

**Group 8**

**The Balance Sheet of Landmark, Inc. as of December 31, 2012 included the following amounts:**

|  |  |
| --- | --- |
| **6% Preferred Stock, $100 Par** | **86,000** |
| **Common Stock, $20 Par** | **185,000** |
| **Paid-In Capital in Excess of Par—Common** | **138,750** |
| **Retained Earnings** | **815,364** |

**Landmark, Inc. is authorized to issue 5,000 shares of $100 par, 6% preferred stock and 250,000 shares of $20 par common stock.**

**For questions 49 through 53, write the correct number or amount on your answer sheet.**

49. How many shares of common stock have been issued?

 \*50. Considering the fact that there has been only one issuance of common stock, at

 what price per share were the common shares sold?

51. How many shares of 6% Preferred Stock have been issued?

\*52. If the corporation pays preferred dividends on a quarterly basis, what would be the

 amount of the first quarter’s preferred stock dividend?

 \*53. Disregard the information in the previous question and assume now that preferred

 and common stockholders are paid annually. On November 10, 2012 the board of

 directors of Landmark, Inc. declared a total cash dividend of $66,025 for both

 preferred and common stock, for shareholders of record on December 1, and is

 payable on January 20, 2013. What amount per share is available to common

 shareholders?

**Group 9**

**Refer to Table 1 on page 8. For questions 54 through 59, write the identifying letter of the best response on your answer sheet. Each question refers to the financial statements that are prepared at the end of 2012.**

54. What was the total amount of the debits to the Rent Receivable controlling account?

 A. $171,600 D. $180,000

 B. $179,100 E. $187,500

 C. $179,550

\*55. What amount will be reported on the income statement as Rental Income Earned?

 A. $179,400 D. $181,800

 B. $179,550 E. $182,250

 C. $180,000 F. $182,400

\*56. What amount will be reported on the income statement as Insurance Expense?

 A. $ 7,650 D. $10,875

 B. $ 8,325 E. $11,100

 C. $10,200 F. $13,650

\*57. What amount will be reported on the balance sheet as Prepaid Insurance?

 A. zero D. $ 5,325

 B. $2,550 E. $11,100

 C. $2,775 F. $13,650

58. What amount will be reported on the income statement as Property Tax Expense?

 A. zero B. $21,200 C. $22,500 D. $43,700

59. When the next annual mortgage payment of $90,860 is made on January 1, 2013,

 what is the amount of principal?

 A. zero D. $62,710

 B. $24,950 E. $64,310

 C. $26,550 F. $65,910

**Refer to Table 1. For questions 60 through 63, write the correct amount on your answer sheet.**

\*60. After the mortgage payment is made next year on January 1, 2013, what will be the

 balance of Mortgage Payable?

61. On December 31, 2012 what is the balance in the Cash in Bank account?

\*62. Using the accrual basis of accounting, what is the amount of net income (before

 depreciation is calculated) for 2012?

\*63. What was the amount of the insurance premium paid on April 1, 2011?

**Group 10 Refer to Table 2 on page 9 and 10.**

|  |
| --- |
| **Duck Empire, Inc.** |
| **Balance Sheet** |
| **December 31, 2012** |
| ***Assets*** |  |  | ***Liabilities*** |  |
| **Cash** | **474,990** |  | **Accounts Payable** | **18,430** |
| **Note Receivable** |  |  | **Payroll Tax Payable** | **2,690** |
| **Interest Receivable** |  |  |  |  |
| **Accounts Receivable** |  |  |  |  |
| **Merchandise Inventory** |  |  | **Total Liabilities** |  |
| **Supplies** |  |  |  |  |
| **Prepaid Insurance** |  |  | ***Stockholders’ Equity*** |  |
| **Equipment** |  |  | **Capital Stock** |  |
|  **Accum. Depr.—Equip.** |  |  |  |  |
|  |  |  | **Retained Earnings** |  |
|  |  |  |  **Total Stockholders’ Equity** |  |
| **Total Assets** | **$**  |  | **Total Liabilities and** **Stockholders’ Equity** | **$**  |
|  | **========** |  |  | **========** |

**For questions 64 through 80, write the correct amount on your answer sheet.**

**Consider that a work sheet was correctly prepared for the year ending December 31, 2012. What is the balance of the following accounts in the Trial Balance columns?**

64. Merchandise Inventory 67. Accumulated Depreciation--Equipment

65. Supplies 68. Capital Stock

\*66. Prepaid Insurance

**On the Income Statement for the twelve months ending December 31, 2012, what is the correct amount of….**

69. Insurance Expense

70. Depreciation Expense

71. Interest Income

**Regarding depreciation expense in future years…**

\*72. What is depreciation expense in year 2014 on the Delivery Truck only?

73. What is depreciation expense in year 2018 on the Forklift only?

**On the Balance Sheet above, what is the balance of (or amount of)…**

74. Merchandise Inventory \*78. Total Liabilities

75. Supplies \*79. Retained Earnings

76. Prepaid Insurance \*\*80. Total Assets

\*77. Accumulated Depreciation—Equip.

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

***Table 1***

(for questions 54 through 63)

Gulf Rentals, Inc. owns several condominiums on the coast that it leases to vacationing families year round. Gulf Rentals carries adequate insurance and pays property taxes on the real and personal property. Property taxes for a given year are assessed in October of that year, but are payable in January of the following year.

All of the condos were financed through a single long term note (mortgage) payable. The interest (calculated on the principal balance) for twelve months is accrued on December 31 of each year. Gulf Rentals makes a payment of $90,860 each year on January 1, consisting of interest accrued for the previous year plus an amount of principal. (As the principal balance declines each year, the calculated interest expense will decrease.) Regardless of the breakdown between interest and principal, the annual payment is set at $90,860.

The company uses the accrual basis of accounting and prepares adjusting and closing entries only at the end of the fiscal year, which is December 31. Financial statements are prepared annually; therefore the income statement is for twelve months.

Every rental arrangement is made by written contract and first entered into the accounting records as a rental receivable. Occasionally, customers prepay an amount in order to give a condo rental as a gift to a family member. The gift prepayment is not recorded by Gulf Rentals as income earned until the gift recipient signs a contract to use the condo. At contract signing, the prepayment is applied and any balance due is receivable from the gift recipient.

All other operating expenses (such as salaries, utilities, office supplies etc.) in the amount of $47,869 were paid by check. Regarding this group of expenses, no accrual or deferral entries are necessary at the end of the fiscal year 2012. They are grouped together for simplicity. Disregard payroll tax liabilities and expenses.

The following is a portion of the comparative balance sheet for Gulf Rentals, Inc. (All accounts have normal balances.)

|  |  |
| --- | --- |
|  | **December 31** |
|  | **2011** | **2012** |
| Cash in Bank | 16,240 | ?? |
| Rent Receivable | 3,750 | 4,200 |
| Prepaid Insurance | 2,550 | ?? |
| Mortgage Interest Payable | 26,550 | 24,950 |
| Property Tax Payable | 21,200 | 22,500 |
| Unearned Rent | 2,250 | 2,850 |
| Mortgage Payable (principal) | 1,062,260 | ?? |

Gulf’s accounting records provided the following details for the year 2012:

* The total debits to the Cash in Bank account for the year were $182,400 (consisting of $179,550 for condo rental receivables collected and $2,850 for rental gifts).
* Cash disbursed to pay the only insurance premium was on April 1, 2012 for $11,100. (In 2011 there was only one premium paid on April 1, 2011.)
* Cash disbursed to pay the mortgage payment on January 1, 2012
* Cash disbursed to pay property taxes $21,200.
* Cash disbursed to pay operating expenses $47,869

***Table 2***

**(for questions 64 through 80)**

**Duck Empire, Inc. sells hunting merchandise. The company uses the accrual basis of accounting and records adjusting and closing entries only at the end of the fiscal year, which is December 31. The partially completed balance sheet is correct.**

**Additional Information:**

* On October 30, 2012, Duck Empire sold $15,000 of merchandise on account to Brass Brothers. Brass Brothers was unable to pay by the invoice due date. Duck Empire received and accepted a promissory note dated December 1 from Brass Brothers to settle the account receivable. The face of the note stated it was for $15,000 at 6% for 60 days. Duck Empire uses the banker’s year in any calculations regarding promissory notes and rounds to the nearest dollar. The accounts Receivable balance on 12-31-12 was $8,415 and all accounts are considered collectible.
* The amount of merchandise inventory as of 12-31-11 was $62,780. On 12-31-12 one of the adjusting entries included a debit to Income Summary for $960.
* Supplies Expense for 2012 was $11,640. Supplies inventory as of 12-31-11 was $2,890. During the year Duck Empire purchased $11,910 in supplies, which were all debited to a prepaid expense account.
* Duck Empire has insurance that combines all types of coverage in a single policy that renews annually on September 1. In the year 2011, the premium was $4,620 and in 2012 the premium was $4,860. The adjusting entry for insurance made on 12-31-11 was calculated correctly.
* Duck Empire has three plant assets that were posted to the Equipment account with the following details: (If necessary, round computations to the nearest dollar.)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date Purchased | Description | OriginalCost | Salvage Value | Depr.Method | Estimated Life |
| 01-04-10 | Warehouse Shelving | 120,000 | 3,000 | SL | 15 |
| 01-01-10 | Delivery Truck | 30,000 | 2,500 | DDB | 5 |
| 06-02-11 | Forklift | 63,120 | 6,000 | SL | 7 |

* The company has three employees who never work overtime and never work on weekends. They are paid to work Monday through Friday with the following daily gross pay amounts:

|  |
| --- |
| ***DECEMBER 2012*** |
| M | T | W | T | F | S | S |
| 17 | 18 | 19 | 20 | 21 | 22 | 23 |
| 24 | 25 | 26 | 27 | 28 | 29 | 30 |
| 31 | 1 | 2 | 3 | 4 | 5 | 6 |

|  |  |
| --- | --- |
| Jase | $145 per work day |
|  Phil | $165 per work day |
| Willie | $200 per work day |

 The next pay day in 2013 will be on January 4. This payroll will include the days

 worked (and any paid holidays) for December 24 through January 4.

***Table 2 continued***

* Duck Empire is a closely held corporation that was originally formed on December 1, 2009 when Duck Empire issued the following shares of $10 par value common stock at $10 per share.

|  |  |
| --- | --- |
| Phil | 1,000 |
| Kay | 1,000 |
| Jase | 1,000 |
| Willie | 1,000 |
| Jep | 1,000 |

In 2009, Si was skeptical that the company would be profitable. So he did not invest in the company until March 15, 2012. On this date Duck Empire issued 500 shares of $10 par value common stock at $25 per share.

* Duck Empire reported the following performance. Cash dividends (if declared in a given year) are declared on December 15 to shareholders of record on December 1 of that year. The dividends are subsequently paid in January of the following year.

|  |  |  |
| --- | --- | --- |
| **Year** | **Net Income <Net Loss>** | **Dividends Declared** |
| 2009 | <3,240> | none |
| 2010 | 82,915 | $2 per share |
| 2011 | 394,630 | $50 per share |
| 2012 | 418,995 | $75 per share |