**UIL ACCOUNTING**

**State 2014-S**

**Group 1**

**Identify the correct classification of items 1 through 11 by writing the identifying letter of the best choice on your answer sheet. A choice may be used more than once. These eleven items belong to a retail company that sells shoes and appear on financial statements for the calendar year 2013.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **A** | contra-asset |  | **G** | operating expense |
| **B** | contra-liability |  | **H** | other expenses |
| **C** | cost of merchandise sold |  | **I** | other revenue |
| **D** | current asset |  | **J** | plant asset |
| **E** | current liability |  | **K** | revenue |
| **F** | long-term liability |  | **L** | stockholders’ equity |

1. Interest Receivable (due March 18, 2014) 7. Interest Income

2. Allowance for Uncollectible Accounts 8. Land

3. Unearned Rental Income (will be earned January 2014) 9. Retained Earnings

4. Paid-in Capital in Excess of Par 10. Purchases

5. Discount on Note Payable (due February 4, 2014) 11. Dividends--Common

6. Loss on Plant Assets

**Group 2**

**Match each situation in items 12 through 19 with the best term using the following code:**

|  |  |
| --- | --- |
|  | **Terms** |
| **A** | Accrued Revenue |
| **B** | Accrued Expense |
| **C** | Deferred Expense |
| **D** | Deferred Revenue |

12. owes property taxes assessed; but has not yet recorded or paid the taxes

13. an expense not yet incurred; paid in advance

14. a revenue not yet earned; collected in advance

15. rent not yet collected; already earned but not yet recorded

16. an expense is incurred; not yet paid or recorded

17. office supplies on hand and paid for; will be used next accounting period

18. a revenue is earned; not yet recorded or collected

19. rent revenue collected; not yet earned

**Group 3**

**One of the items sold at Odyssey Sports is a runner’s belt. The following shows the beginning inventory and purchases information for the year.**

**During the year 1,005 belts were sold for $6.00 each and 88 belts were sold for $6.25 each. The company uses a periodic inventory system. (If necessary, round computations to the nearest cent.)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Number of**  **Units** | **Cost per Unit** | **Extended**  **Amount** |
| **1-1-13** | **Beginning Inventory** | **6** | **2.80** | **16.80** |
| **Jan** | **Purchase** | **5** | **2.82** | **14.10** |
| **Mar** | **Purchase** | **130** | **2.86** | **371.80** |
| **Apr** | **Purchase** | **190** | **2.90** | **551.00** |
| **May** | **Purchase** | **400** | **3.00** | **1,200.00** |
| **July** | **Purchase** | **370** | **3.10** | **1,147.00** |
| **Nov** | **Purchase** | **4** | **3.20** | **12.80** |
| **Dec** | **Purchase** | **3** | **3.50** | **10.50** |
|  | **Totals** | **1,108** |  | **3,324.00** |

**For questions 20 through 22, write the identifying letter of the best response on your answer sheet.**

20. What is the amount of gross profit for the year if the FIFO method of inventory

valuation is used?

A. $3,298.00 E. $3,308.50

B. $3,298.34 F. $3,550.02

C. $3,301.00 G. $3,565.00

D. $3,304.10 H. $3,576.90

21. What is the amount of gross profit for the year if the LIFO method of inventory

valuation is used?

A. $3,298.00 E. $3,308.50

B. $3,298.34 F. $3,550.02

C. $3,301.00 G. $3,565.00

D. $3,304.10 H. $3,576.90

22. What is the amount of gross profit for the year if the average cost method of

inventory valuation is used?

A. $3,298.00 E. $3,308.50

B. $3,298.34 F. $3,550.02

C. $3,301.00 G. $3,565.00

D. $3,304.10 H. $3,576.90

**Group 4**

**Crowley Company uses accrual accounting. Adjusting & closing entries are prepared only at fiscal year-end which is December 31.**

**Crowley Company has three employees who never work overtime and never work on weekends. Even on days employees do not quite work a full eight hours, the company still pays each employee for a full 40 hours per week. Because of this benefit, employees understand that holiday pay is at their respective regular daily gross pay amounts.**

**Employees are paid bi-weekly and the last pay day in the calendar year 2013 is on December 20.**

**Employees are paid to work Monday through Friday with the following daily gross pay amounts:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ***DECEMBER 2013*** | | | | | | |
| M | T | W | T | F | S | S |
| 16 | 17 | 18 | 19 | 20 | 21 | 22 |
| 23 | 24 | 25 | 26 | 27 | 28 | 29 |
| 30 | 31 | 1 | 2 | 3 | 4 | 5 |

|  |  |
| --- | --- |
| Xavior | $120 per work day |
| Bella | $110 per work day |
| Preston | $104 per work day |

**The first pay day in 2014 will be on January 3. This payroll will include the days**

**worked (and any paid holidays) for December 23 through January 3.**

**For questions 23 through 25, write the identifying letter of the best response on your answer sheet.**

23. The adjusting entry required on December 31, 2013 is an example of

A. Prepaid Expense C. Accrued Expense

B. Unearned Revenue D. Accrued Revenue

24. The adjusting entry required consists of a:

A. debit to Unearned Salaries

B. debit to Earned Salaries

C. credit to Cash in Bank

D. credit to Salaries Payable

25. The amount of the adjusting entry is

A. $668

B. $1,002

C. $2,338

D. $3,006

E. $3,340

**Group 5**

**The information for 2013 related to Mulkey Co. before adjusting entries is summarized below:**

|  |  |
| --- | --- |
|  |  |
| **Net Cash Sales** | **62,940** |
| **Net Charge Sales** | **14,200** |
| **Accounts Receivable on 12-31-13** | **64,850** |
| **Customer accounts written off in 2013** | **2,115** |
|  |  |

**For questions 26 through 28, write the identifying letter of the best response on your answer sheet. Each question is independent from the others unless noted otherwise.**

26. Assume that Mulkey Co. uses the allowance method of accounting for uncollectible

accounts. The company prepares an aging of accounts receivable on 12-31-13 and

determines that $2,680 of its accounts receivable is estimated to be uncollectible.

What amount of bad debts expense will Mulkey Co. record for 2013 if Allowance

for Uncollectible Accounts has a credit balance of $249 before the adjusting entry?

A. zero B. $249 C. $2,115 D. $2,431 E. $2,680 F. $2,929

27. Assume the same facts as in #26, except that there is a $249 debit balance in

Allowance for Uncollectible Accounts before the adjusting entry because more

accounts were written off in 2013 than had been estimated the previous year. What

amount of bad debts expense will Mulkey Co. record?

A. zero B. $249 C. $2,115 D. $2,431 E. $2,680 F. $2,929

28. What amount of bad debts expense will Mulkey Co. report for 2013 if it uses the

direct write-off method of accounting for bad debts?

A. zero B. $249 C. $2,115 D. $2,431 E. $2,680 F. $2,929

**Group 6**

**For questions 29 through 32, write the correct amount or number on your answer sheet. The company uses the straight line method of depreciation for all assets. Question numbers are indicated by the bold “Q#”.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Plant Asset | Months Owned First Year | Original Cost | Estimated Salvage Value | Estimated Useful Life | First Year’s Straight Line Depreciation |
| Computer | **Q#29** | 5,912 | 800 | 3 years | 994 |
| Tractor | 4 | 231,000 | **Q#30** | 10 years | 7,200 |
| Grain Truck | 8 | **Q#31** | 8,500 | 5 years | 11,520 |
| Hay Baler | 10 | 14,000 | 3,500 | **\* Q#32** | 1,250 |

**Group 7**

**Use the following information to answer questions 33 through 37 by writing the identifying letter of the best response on your answer sheet.**

|  |  |  |
| --- | --- | --- |
|  | **12-31-12** | **12-31-13** |
| **Quick Assets** | **16,200** | **17,010** |
| **Current Assets (includes Quick Assets)** | **42,000** | **45,560** |
| **Current Liabilities** | **18,000** | **20,000** |

33. The company’s quick ratio for the year 2012 was \_\_\_ to 1

A. **.**375 B. **.**42 C. **.**9 D. 1**.**11

34. The company’s current ratio for the year 2013 was \_\_\_\_to 1

A. **.**8505 B. **.**9 C. 1**.**278 D. 2**.**278

35. The company’s working capital for 2013 was

A. $24,000 B. $25,560 C. $25,800 D. $28,550

\*36. The company’s working capital increased by \_\_\_% from 2012 to 2013.

A. 5% B. 6**.**1% C. 6**.**5% D. 8**.**48%

37. The company’s quick assets increased by \_\_% from 2012 to 2013.

A. 4**.**76% B. 5% C. 8**.**48% D. 11**.**11%

**Group 8**

**Refer to the data in Table 1 on page 8. Consider the income statement format requested by management as you answer the following questions. Write the identifying letter of the best response on your answer sheet for questions 38 through 43.**

38. Gross Profit on Operations is equal to

A. $48,200 B. $49,000 C. $142,350 D. $149,580 E. $255,560

39. Operating Revenue is equal to

A. $356,140 B. $357,820 C. $359,618 D. $361,298

40. Income from Operations is equal to

A. $40,970 B. $48,200 C. $49,000 D. $54,158

41. The Total Other Expenses is equal to

A. $5,158 B. $5,958 C. $100,580 D. $106,538 E. $113,768

42. The Total Operating Expenses is equal to

A. $5,158 B. $5,958 C. $100,580 D. $106,538 E. $113,768

43. Corporate federal income taxes were calculated based on “Net Income Before

Federal Income Tax” of

A. $33,740 B. $40,970 C. $48,200 D. $55,430

**Group 9**

**Refer to Table 2 on page 9. For questions 44 and 45, write the identifying letter of the best response on your answer sheet.**

44. On January 15, 2013, the owner of a single share of common stock was due a

dividend of

A. $0.60 B. $0.75 C. $0.77 D. $1.30

\*45. On January 15, 2014, the owner of a single share of common stock was due a

dividend of

A. $0.60 B. $1.05 C. $1.37 D. $1.93 E. $4.93

**Continue to refer to Table 2. For questions 46 through 49, write the correct amount on your answer sheet.**

What is the correct amount for each of the following in the Stockholders’ Equity section of the Balance Sheet for Baylor, Inc. dated December 31, 2013?

\*46. Preferred stock

\*47. Common stock

\*48. Paid-in Capital in Excess of Par

\*49. Retained Earnings

**Group 10**

**Refer to Table 3 on pages 10 through 12 and the work sheet on page 13. For questions 50 through 62, write the correct amount on your answer sheet.**

What is the amount in the **Unadjusted** Trial Balance for each of the following?

50. Cash in Bank

\*51. Accounts Receivable

52. Allowance for Uncollectible Accounts

53. Merchandise Inventory

54. Supplies

\*55. Prepaid Insurance

56. Equipment

57. Accumulated Depreciation—Equipment

58. Notes Payable

59. Accounts Payable

60. Capital Stock

61. Sales

\*62. Payroll Tax Expense

**Group 10 continued**

**Continue to refer to Table 3 and the work sheet. For questions 63 through 72, write the correct amount on your answer sheet.**

What is the amount in the **Adjusted** Trial Balance for each of the following?

\*63. Accounts Receivable

\*64. Allowance for Uncollectible Accounts

65. Merchandise Inventory

66. Supplies

67. Prepaid Insurance

\*68. Accumulated Depreciation—Equipment

69. Interest Payable

\*70. Dividends Payable

\*71. Retained Earnings

72. Dividends

**Continue to refer to Table 3 and the work sheet. For questions 73 through 77, write the correct amounts that would appear on the income statement for the twelve months ending December 31, 2013 and the balance sheet dated December 31, 2013.**

73. Cost of Merchandise Available for Sale

74. Gross Profit

\*75. Net Income

\*76. Total Assets

\*77. Total Liabilities

**Continue to refer to Table 3 and the work sheet. For questions 78 through 80, write the correct amount on your answer sheet.**

\*78. What was the amount of Retained Earnings on December 31, 2013 after all closing

entries were posted?

\*79. What is the book value of Accounts Receivable on January 1, 2014?

80. What is the book value of all of the equipment on January 1, 2014?

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

***Table 1***

**(for questions 38 through 43)**

**The individual amounts on the report presented below were determined using proper accounting procedures, but the bookkeeper had an unconventional way of presenting the data.**

**Company management requested that a different format be used to provide additional information. Management requested subtotals for Operating Revenue, Cost of Merchandise Sold, Gross Profit on Operations, Operating Expenses (Selling and Administrative grouped separately), Income from Operations, Other Revenue, Other Expense, and with net income expressed before and after federal income taxes.**

**Shown below is the original presentation.**

|  |  |  |
| --- | --- | --- |
| **Rhino Corp** | | |
| **Income Statement** | | |
| **For the Year Ended December 31, 2013** | | |
| **Revenues:** |  |  |
| **Net Sales** | **356,140** |  |
| **Gain on Plant Assets** | **1,680** |  |
| **Interest Income** | **3,478** |  |
| **Total Revenue** |  | **361,298** |
| **Costs and Expenses:** |  |  |
| **Cost of Merchandise Sold** | **206,560** |  |
| **Selling Expenses** | **57,620** |  |
| **General & Administrative Expenses** | **42,960** |  |
| **Loss on Plant Assets** | **3,218** |  |
| **Interest Expense** | **2,740** |  |
| **Corporate Federal Income Tax Expense** | **7,230** |  |
| **Total Costs & Expenses** |  | **320,328** |
| **Net Income** |  | **40,970** |

***Table 2***

**(for questions 44 through 49)**

**Baylor, Inc. is a retail business that uses accrual accounting. The company prepares adjusting entries, closing entries, and prepares financial statements only at the end of the fiscal year which is December 31. The balance sheet format includes a detailed stockholders’ equity section as shown below.**

|  |  |  |  |
| --- | --- | --- | --- |
| *Stockholders’ Equity* |  |  |  |
| *Paid-in Capital:* |  |  |  |
| *$6 Preferred Stock, $100 par, 5,000 shares authorized* |  |  |  |
| *Common stock, $10 par, 200,000 shares authorized* |  |  |  |
| *Paid-in Capital in Excess of Par* |  |  |  |
| *Total Paid-in Capital* |  |  |  |
| *Retained Earnings* |  |  |  |
| *Total Stockholders’ Equity* |  |  |  |

**The following selected transactions occurred since the business was formed.**

|  |  |
| --- | --- |
| **Date** | **Transaction** |
| 03-06-11 | Issued 10,000 shares of common stock at par. |
| 11-16-11 | Issued 5,000 shares of common stock at par. |
| 04-13-12 | Issued 5,000 shares of common stock at $13 per share. |
| 06-30-12 | Issued 300 shares of preferred stock at par. |
| 09-30-12 | Issued 500 shares of preferred stock at par. |
| 11-14-12 | Issued 5,000 shares of common stock at $15 per share. |
| 12-15-12 | The board of directors declared a total cash dividend for the year in the amount of $19,800 for both preferred and common stock, for shareholders of record on December 31, 2012 and is payable on January 15, 2013. |
| 05-19-13 | Issued 1,500 shares of preferred stock at par. |
| 07-20-13 | Issued 8,000 shares of common stock at $25 per share. |
| 12-15-13 | The board of directors declared a total cash dividend for the year in the amount of $48,450 for both preferred and common stock, for shareholders of record on December 31, 2013 and is payable on January 15, 2014. |

**Other Information:**

|  |  |  |
| --- | --- | --- |
| **YEAR** | **Net Income <Loss>** | **Total Dividends Declared** |
| 2011 | <16,429> | None |
| 2012 | 88,694 | ? |
| 2013 | 278,413 | ? |

***Table 3***

**(for questions 50 through 80)**

**For this problem, disregard sales taxes and corporate income tax. Most operational expenses are combined only because of space limitations on the work sheet form. Amounts printed on the work sheet are correct.**

**Company Policies:**

* Uses the accrual basis of accounting
* Does NOT use reversing entries
* Uses 360-day year for promissory note calculations (round to the nearest cent)
* Purchases of supplies and insurance are posted to respective asset accounts.
* Adjusting entries, closing entries, and financial statements are prepared only at the end of the fiscal year which is December 31. All prior year adjusting entries were journalized and posted correctly.
* Actual customer accounts are written off only after numerous attempts to collect.

**Other Information:**

* The business began operations on January 1, 2012
* The bank reconciliation form provided the following information: Balance per the bank statement dated December 30, 2013 was $10,429. Outstanding checks were $3,614. Deposits in transit were $4,809. No journal entries are required. The calculation of the balance per the check stubs was correct.
* The Accounts Receivable balance on January 1, 2013 was $18,625. Cash collections on account during 2013 were $174,285.
* The account called Allowance for Uncollectible Accounts had a normal balance of $1,850 on January 1, 2013.
* During 2013 none of the customer accounts were written off. However, before any adjustment is made to estimate uncollectible accounts expense for 2013, the customer account of Jackson Company in the amount of $1,650 needs to be written off and should be plotted on the work sheet in the Adjustment columns.
* The company estimates the 2013 bad debt expense to be 1% of the 2013 sales on account.
* Merchandise Inventory on January 1, 2013 was $18,640.
* Supplies:

Inventory on January 1, 2013……………………...$ 2,650

Purchased by check during 2013………………… 8,215

Inventory on December 31, 2013…..……………... 3,040

* The balance in the Prepaid Insurance account on January 1, 2013 was $1,367. This entire amount will expire in 2013.

***Table 3 continued***

* In 2013 the following insurance premiums were paid by check:

|  |  |  |  |
| --- | --- | --- | --- |
| Asset Insured | Date Paid | Length of Coverage | Amount Paid |
| Inventory | 02-01-13 | one year | 2,208 |
| delivery truck | 05-01-13 | 6 months | 774 |
| equipment & fixtures | 06-01-13 | one year | 1,728 |
| delivery truck | 11-01-13 | 6 months | 834 |

It is company policy to prorate the policy premium between fiscal years based on

months in the policy term (not days).

* The equipment account consists of the following assets: (If necessary, round computations to the nearest dollar.) All 2012 adjusting entries for depreciation were recorded correctly.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Date Purchased** | **Description** | **Original**  **Cost** | **Salvage Value** | **Depr.**  **Method** | **Estimated Life** |
| 01-01-12 | Display Fixtures  (includes shelving) | 20,200 | 4,000 | SL | 10 years |
| 01-01-12 | Delivery Truck | 40,000 | 5,000 | DDB | 5 years |
| 02-01-12 | Cash Register | 3,608 | 500 | SL | 7 years |
| 04-07-13 | Computer Equipment | 5,700 | 1,200 | SL | 3 years |

* The company purchased land on October 1, 2013 for $50,000. The intent is to construct a building in 2014 because rent expense continues to increase annually.
* The purchase of the land caused a significant cash flow problem. Therefore, on November 25, 2013, the company borrowed from First Online Bank $20,000 at 5% for 120 days. The company signed an interest-bearing promissory note. The entry to record the deposit of funds was handled correctly in the general journal. The bookkeeper handled the accrual on the work sheet. This was the first time Electronics Plus, Inc. ever had to borrow money.
* The Accounts Payable balance on January 1, 2013 was $5,450. Cash payments on account during 2013 were $26,220.
* Electronics Plus, Inc. is a closely held corporation. On January 1, 2012 Electronics Plus, Inc. issued to Eric Cole 10,000 shares of $5 par common stock at $5 per share.
* On December 30, 2013, Electronics Plus, Inc. issued to Mark Baker (Eric’s cousin) 5,000 shares of $5 par common stock at $5 per share.
* During 2012 no dividends were declared. However, on December 1, 2013 a cash dividend of $0**.**50 per common share was declared for stockholders of record on December 15, 2013 and is payable on January 15, 2014. No entry was recorded in the general ledger for 2013 thus far; therefore, the entry for dividends must be handled as an adjusting entry.

***Table 3 continued***

* The net income for the calendar year 2012 was $9,676.
* Of the total sales for the year 2013, $95,400 were from cash sales.
* The Gross Profit Percentage based on total sales for the year 2013 was 46%.
* Purchases of Merchandise: cash…………….. $115,996

on account…….. 27,490

* In 2013 Electronics Plus, Inc. employed the following individuals:

|  |  |  |
| --- | --- | --- |
| **Employee** | **Salary Paid**  **in 2013** | **Job Responsibility** |
| Eric Cole | 30,000 | Purchasing, Sales & Delivery |
| Sara Blair | 24,000 | Bookkeeping, Clerical & Sales |

The following rates and maximums per employee per year are in effect for 2013:

|  |  |
| --- | --- |
| Social Security | 6.2% on gross earnings up to $113,700 |
| Medicare | 1.45% on all earnings |
| Employee Federal Income Tax | 15% on all earnings |
| Federal Unemployment Tax | .8% on first $7,000 of gross earnings |
| State Unemployment Tax | 2.5% on first $9,000 of gross earnings |

The applicable employer matching taxes are at the same rate as the employee rate.

In this state only employers are subject to unemployment taxes.

Electronics Plus, Inc. paid all remaining taxes withheld from the employees as well

as the employer’s portion of all payroll tax expense on December 31, 2013.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Electronics Plus, Inc.** | | | | | | | | | | |
| **Work Sheet** | | | | | | | | | | |
| **For the Year Ended December 31, 2013** | | | | | | | | | | |
| **Account Title** | **Trial Balance** | | **Adjustments** | | **Adjusted Trial Balance** | | **Income Statement** | | **Balance Sheet** | |
|  | **Debit** | **Credit** | **Debit** | **Credit** | **Debit** | **Credit** | **Debit** | **Credit** | **Debit** | **Credit** |
| **Cash in Bank** |  |  |  |  |  |  |  |  |  |  |
| **Accounts Receivable** |  |  |  |  |  |  |  |  |  |  |
| **Allow. for Uncol. Accts.** |  |  |  |  |  |  |  |  |  |  |
| **Merchandise Inventory** |  |  |  |  |  |  |  |  |  |  |
| **Supplies** |  |  |  |  |  |  |  |  |  |  |
| **Prepaid Insurance** |  |  |  |  |  |  |  |  |  |  |
| **Equipment** |  |  |  |  |  |  |  |  |  |  |
| **Accum. Depr.—Equip.** |  |  |  |  |  |  |  |  |  |  |
| **Land** |  |  |  |  |  |  |  |  |  |  |
| **Notes Payable** |  |  |  |  |  |  |  |  |  |  |
| **Interest Payable** |  |  |  |  |  |  |  |  |  |  |
| **Accounts Payable** |  |  |  |  |  |  |  |  |  |  |
| **Dividends Payable** |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| **Capital Stock** |  |  |  |  |  |  |  |  |  |  |
| **Retained Earnings** |  |  |  |  |  |  |  |  |  |  |
| **Dividends** |  |  |  |  |  |  |  |  |  |  |
| **Income Summary** |  |  |  |  | **2,530** |  |  |  |  |  |
| **Sales** |  |  |  |  |  |  |  |  |  |  |
| **Purchases** |  |  |  |  |  |  |  |  |  |  |
| **Salary Expense** |  |  |  |  |  |  |  |  |  |  |
| **Payroll Tax Expense** |  |  |  |  |  |  |  |  |  |  |
| **Bad Debt Expense** |  |  |  |  |  |  |  |  |  |  |
| **Supplies Expense** |  |  |  |  |  |  |  |  |  |  |
| **Insurance Expense** |  |  |  |  |  |  |  |  |  |  |
| **Depreciation Expense** |  |  |  |  |  |  |  |  |  |  |
| **Operating Expenses** | **12,606** |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| **Net Income or <Loss>** |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |

**UIL Accounting State 2014-S -13-**