**UIL ACCOUNTING**

**District 2016-D1**

**Group 1**

An individual started a new business on March 1, 2012. At that time the individual invested his personal life savings in the business. In 2012 revenues were $62,741 expenses were $91,212, and there were no owner withdrawals.

In 2013 the owner made an additional capital contribution of $35,000 and made no withdrawals. Total revenues for 2013 were $164,218 and expenses were $159,044.

In 2014 the owner made no additional contributions of capital. Total revenues for 2014 were $384,906 and expenses were $334,404. During 2014 the owner withdrew $25,000.

In 2015 the owner made an additional capital contribution of $2,500. Total revenues for 2015 were $371,500 and expenses were $294,848. The owner determined from the financial statements that his original investment in 2012 was finally indicating a high rate of return on his investment so he withdrew $75,000 for personal use. The ending capital account balance on December 31, 2015 after closing entries were posted was $103,857.

**For question #1, write the correct amount on your answer sheet.**

1. What was the amount of the owner’s original investment in the business on

 March 1, 2012?

**Group 2**

**Below are selected line items from a portion of a work sheet. The beginning inventory is $26,890. The company uses net sales as the base for calculating component percentages.**

|  |  |
| --- | --- |
|  | **INCOME STATEMENT** |
| **ACCOUNT** | **DEBIT** | **CREDIT** |
| **Income Summary** | **2,540** |  |
| **Sales** |  | **90,460** |
| **Sales Returns & Allowances** | **1,470** |  |
| **Sales Discounts** | **2,790** |  |
| **Purchases** | **48,289** |  |
| **Purchases Returns & Allowances** |  | **2,125** |
| **Purchases Discounts** |  | **1,630** |
| **Transportation In** | **3,784** |  |
| **Expenses (combined)** | **35,211** |  |

**Use the information above to answer questions 2 through 10. Write the correct amount (or the correct percentage for question #9) on your answer sheet.**

 2. The amount of net sales is

 3. The amount of net purchases is

 4. The amount of cost of delivered merchandise is

 5. The amount of cost of merchandise available for sale is

 6. The amount of cost of merchandise sold is

 \*7. The amount of inventory at the end of this period is

 8. What is the amount of gross profit for this period?

 9. What is the gross profit percentage?

\*10. What is the amount of net income or net loss?

**Group 3**

**It is company policy to record any necessary journal entries and to update the checkbook (check stubs) balance after the bank reconciliation is completed. There are no math errors or recording errors in the checkbook (check stubs). The owner did not receive any prior notice for items she discovered on the bank statement.**

|  |
| --- |
| **Gold’s Appliance** |
| **Bank Reconciliation** |
| **December 31, 2015** |
| Bank Statement Balance, 12/29 |  | Checkbook Balance, 12/31 |  |
| Add:  |  | Add: |  |
|  |  |  |  |
| Deduct: |  | Deduct: |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

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

* The ending bank balance was $3,079.93
* The checkbook balance on Dec. 31 before reconciliation was $3,432.96
* The following checks were written in November, were outstanding in November,

 and still did not appear on this bank statement:

 check #1854…$50.00

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

 statement: check #1884…$167.48 check #1886…$ ????

* The bank charged $22.50 for the month’s service charge
* A check in the amount of $225.00 from Dee Hanson that Connie deposited on

Dec. 27 was returned by the bank for insufficient funds. The bank charged Connie’s account $17.00 for handling the NSF check. No journal entry has been made yet by Connie for the NSF check or its related fee.

* A deposit of $648.95 made on Dec. 30 does not appear on the bank statement.

**For questions 11 and 12 write the correct amount on your answer sheet.**

11. What is the reconciled bank balance as of December 31, 2015?

\*12. What is the amount of check #1886?

**Group 4**

**For questions 13 through 21, 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** |  |  |  |

13. A business (using the accrual method of accounting) provided a service in

 December 2015, but the customer did not pay for that service until the following

 month. Therefore, the service provider recorded the revenue in January 2016.

14. A recent college graduate who majored in accounting opened his own home-based

 business, which quickly grew to include clients in Europe. His income statement

 included some revenue reported in U.S. dollars and some revenue reported in

 Euros.

15. 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.

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

 statements of his trucking business.

17. 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.

18. In one year a gift shop prepared financial statements every three months. Then

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

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

 Office Supplies.

20. The owner of a construction service business used checks for most business

 expenditures. When customers paid using cash currency, he tried to remember to

 issue the customer a receipt. Sometimes he paid for building supplies using cash,

 but often the paid invoices on his truck dashboard flew out the window. So he just

 made up numbers as best he could remember.

21. The owner of a software company found a real bargain when he purchased a used

 computer for $250. In shopping for this computer, all the other used computers of

 this kind were priced at $750. The owner decided to record the cost of the

 computer he purchased at $750 and credited the extra $500 to his capital account.

**Group 5**

**Refer to Table 1 on page 10. Mark the identifying letter of the BEST answer on your answer sheet for questions 22 through 34.**

22. Transaction #1 has the following effects on the accounting equation:

 Assets Liabilities Owner’s Equity

 A. increase no change decrease

 B. increase no change increase

 C. increase increase no change

 D. decrease no change increase

23. Transaction #2 has the following effects on the accounting equation:

 Assets Liabilities Owner’s Equity

 A. increase decrease increase

 B. no overall effect no change no change

 C. increase increase no change

 D. decrease increase no change

24. Transaction #3 has the following effects on the accounting equation:

 Assets Liabilities Owner’s Equity

 A. decrease no change increase

 B. decrease decrease no change

 C. increase decrease decrease

 D. decrease no change decrease

25. Transaction #4 has the following effects on the accounting equation:

 Assets Liabilities Owner’s Equity

 A. increase decrease increase

 B. no overall effect no change no change

 C. increase increase no change

 D. decrease increase no change

26. Transaction #5 has the following effects on the accounting equation:

 Assets Liabilities Owner’s Equity

 A. decrease no change decrease

 B. increase increase no change

 C. no overall effect no change no change

27. Transaction #6 has the following effects on the accounting equation:

 Assets Liabilities Owner’s Equity

 A. increase no change increase

 B. no overall effect no change no change

 C. decrease no change decrease

 D. increase increase no change

**Group 5 continued**

28. Transaction #7 has the following effects on the accounting equation:

 Assets Liabilities Owner’s Equity

 A. increase no change increase

 B. no overall effect no change no change

 C. increase no change decrease

 D. increase decrease no change

29. Transaction #8 (April 20) has the following effects on the accounting equation:

 Assets Liabilities Owner’s Equity

 A. increase increase no change

 B. no change increase increase

 C. increase no change increase

 D. increase no change decrease

30. Transaction #9 has the following effects on the accounting equation:

 Assets Liabilities Owner’s Equity

 A. decrease no change decrease

 B. decrease increase no change

 C. no change decrease increase

 D. decrease decrease no change

31. Transaction #10 has the following effects on the accounting equation:

 Assets Liabilities Owner’s Equity

 A. increase no change increase

 B. no overall effect no change no change

 C. increase no change decrease

 D. increase decrease no change

32. Looking back at transaction #3 again, the transaction has the following effects on an

 expense account and owner’s equity in general:

 Overall Owner’s Equity Individual Expense Account

 A. decrease decrease

 B. no effect increase

 C. increase decrease

 D. decrease increase

33. Looking back at transaction #8 again, the transaction has the following effects on a

 revenue account and owner’s equity in general:

 Overall Owner’s Equity Individual Revenue Account

 A. no effect increase

 B. decrease decrease

 C. increase increase

 D. no effect no effect

**Group 5 continued**

34. After the ten April transactions, the balance of the Cash in Bank account was

 A. $32,050 D. $45,550

 B. $42,050 E. $47,050

 C. $43,550

**Continue to Refer to Table 1. For questions 35 through 49, write the correct amount on your answer sheet.**

**Assume that all transactions for the entire year 2015 have been correctly journalized and posted. On the worksheet, only the unadjusted trial balance has been prepared.**

On the unadjusted trial balance dated December 31, 2015, what is the balance of:

\*35. Cash in Bank

36. Rafting Supplies

37. Accounts Receivable

38. Accounts Payable

39. Jay Cody, Capital

40. Rafting Revenue

41. Rent Expense

42. Rafting Supplies Expense

**Assume the entire worksheet for the year ending December 31, 2015 has been correctly prepared.**

In the adjusted trial balance, what is the balance of:

\*43. Prepaid Insurance

\*44. Rafting Supplies

45. Insurance Expense

**Assume the financial statements for the year 2015 have been prepared.**

On the Income Statement, what is the correct amount of:

46. Total Expenses

\*47. Net Income

On the Balance Sheet, what is the correct amount of:

48. Total assets

\*49. Total ending capital

**Group 6**

**Table 2 on page 11 includes the Employee Earnings Record of Dale Simmons who works for Lucky Company. All the information presented is correct. The missing information can be determined from the data given. Round each calculation to the nearest cent.**

**The employer’s payroll policies and other information are also shown in the Table. Adjusting and closing entries are prepared annually as of the end of the fiscal year, which is December 31.**

**For questions 50 through 67, write the identifying letter of the best response on your answer sheet.**

50. Dale’s regular rate of pay per hour is

 A. $10 B. $12 C. $14 D. $15 E. $20

51. Dale’s overtime rate of pay per hour is

 A. $ 10 B. $12 C. $14 D. $15 E. $20

52. How many overtime hours did Dale work in the first quarter of the year?

 A. 11 B. 35 C. 53 D. 62 E. 120 F. 382

53. How many overtime hours did Dale work in the month of May?

 A. 12 B. 20 C. 32 D. 156 E. 160 F. 188

54. What are Dale’s gross earnings for the week ending April 1?

 A. $10.93 B. $50.27 C. $121.61 D. $400 E. $520 F. $6,245

55. What are Dale’s gross earnings for the week ending April 8?

 A. $2**.**46 B. $6**.**40 C. $64**.**00 D. $640 E. $2,736**.**55 F. $6,885

56. What is the amount of net pay for the week ending May 20?

 A. $278.46 B. $309.40 C. $332.46 D. $360 E. $400 F. $441.54

57. How many overtime hours did Dale work the week ending May 13?

 A. zero B. 12 C. 20 D. 32 E. 40

\*58. What total amount of Medicare tax has been withheld year-to-date as of the last pay

 period in May?

 A. $83.01 B. $120.71 C. $150.29 D. $642.63 E. $792.92

\*59. What total amount of Social Security tax has been withheld year-to-date as of the

 last pay period in May?

 A. $161.20 B. $354.95 C. $516.15 D. $642.63 E. $792.92

60. What is the amount of federal unemployment tax owed just for the week ending

 April 8?

 A. $3.20 B. $4.16 C. $5.12 D. $9.28 E. $16.64 F. $55.08

**Group 6 continued**

61. What is the amount of federal unemployment tax owed just for the week ending

 April 15?

 A. zero B. $0**.**92 C. $3.68 D. $49.96 E. $52.32 F. $55.08 G. $56

62. What is the amount of state unemployment tax owed just for the week ending

 April 29?

 A. zero B. $5.07 C. $11.96 D. $13.52 E. $20.93 F. $31.07

63. What is the amount of state unemployment tax owed just for the week ending

 May 6?

 A. $0**.**65 E. $ 34**.**45

 B. $13**.**52 F. $216**.**45

 C. $17**.**55 G. $234

 D. $18**.**20

\*64. Consider that Dale quit this job (because he decided to go back to college)

 and therefore did not receive any paychecks in June through December.

 What amount would the employer report on Dale’s IRS Form W-2 in Box 3 entitled

 “Social Security Wages”?

 A. $150.29 B. $642.63 C. $4,640 D. $5,725 E. $8,076.08 F. $10,365

\*65. What total amount of Federal Income Tax has been withheld year-to-date as of the

 last pay period in May?

 A. $1,036.50 B. $1,496 C. $1,554.75 D. $2,288.92 E. $2,347.67

\*66. What is the total amount debited to the employer’s general ledger account called

 Payroll Tax Expense for January through May for this one employee?

 A. $290 B. $792.92 C. $1,082.92 D. $1,145.33 E. $1,875.84

\*67. What is the amount of “monthly federal liability” that the employer paid correctly by

 May 15th?

 A. $175.74 E. $ 787.80

 B. $198.90 F. $1,405.92

 C. $588.90 G. $3,081.84

 D. $618.12

**Group 7**

**Refer to Table 3 on page 12 and the work sheet on page 13. For questions 68 through 80, write the correct amount on your answer sheet. These questions refer to the properly completed work sheet.**

What was the balance in each of the following accounts in the unadjusted trial balance?

68. Office Supplies

69. Prepaid Insurance

70. Ann Best, Capital

71. Ann Best, Drawing

**Group 7 continued**

What was the balance in each of the following accounts in the adjusted trial balance?

72. Office Supplies

73. Prepaid Insurance

74. Office Supplies Expense

75. Insurance Expense

\*\*76. Commissions Earned

\*77. Cash in Bank

**Continue to refer to Table 3. Write the correct amount on your answer sheet.**

\*78. What was the balance of Prepaid Insurance in the general ledger on 1-1-15?

79. What is the amount of net income for the year 2015?

\*\*80. What is the balance of Ann Best, Capital on the Post-Closing Trial Balance dated

 December 31, 2015?

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

***Table 1***

**(for questions 22 through 49)**

**The following are the first ten transactions of a new business that provides rentals for river rafting and guided adventures. These ten transactions all occurred in April 2015. Supplies and insurance are properly recorded in asset accounts when they are purchased. Jay Cody uses the accrual basis of accounting and has chosen a fiscal year end of December 31. He prepares adjusting and closing entries only at the end of each fiscal year.**

 1. Jay Cody opened a checking account for the business by depositing $50,000 of

 his personal funds.

 2. Bought ten rafts and other equipment on account for $15,000 from Adventure

 Supply.

 3. Paid by check the monthly rent of $200.

 4. Paid by check $2,400 for a 12-month liability insurance policy on April 1, 2015.

 5. Bought rafting supplies by issuing a check for $350.

 6. Jay Cody invested in the business a truck and trailer he had owned personally,

 valued at $10,000.

 7. Received cash payment for guided rafting adventure $3,500.

 8. Provided guided rafting service on April 20 to Barry McNew and Jay Cody agreed to

 accept payment by May 10 for $1,500.

 9. Wrote a check to Adventure Supply as payment on account, $5,000

10. Received $1,500 from customer, Barry McNew. (Mr. McNew was able to pay

 earlier than expected.)

**Below is a narrative summary of all the transactions that occurred in the months of May through December 2015.**

1. Services performed on account $2,500

2. Services performed for cash $53,750

3. Collections on account (as a result of customer charges that were made May 1 or

 thereafter) $1,850

4. Various expenses incurred and charged on account (Accounts Payable) $6,790

5. Paid by checks the monthly rent for May through December for a total of $1,600

6. Rafting supplies purchased on account $1,250

7. Two payments by checks to Adventure Supply for $5,000 each for the rafts and

 other equipment purchased in April

8. Payments on account (to reduce Accounts Payable) $7,650

9. Owner withdrawal by check $40,000

**Other Information:**

The physical inventory of rafting supplies on December 31, 2015 was $475

***Table 2***

**(For questions 50 through 67)**

**Lucky Company’s payroll policies and other information:**

|  |  |
| --- | --- |
| **Payroll Period** | **Weekly** |
| **Standard Work Week** | **40 hours** |
| **Overtime Pay** | **Time and a half for hours over standard** |
| **Social Security Rate (employer and employee)** | **6.2% on gross earnings up to $118,500 per employee** |
| **Medicare Rate** | **1.45% on all gross wages** |
| **Federal Income Tax** | **(as of April 1) 15% on all gross wages** |
| **FUTA (federal unemployment tax)** | **.8% on first $7,000 gross earnings per employee** |
| **SUTA (state unemployment tax)** | **2.6% on first $9,000 gross earnings per employee** |
| **Dale Simmons’ standard rate of pay** | **$\_\_?\_\_ per hour** |

**The employer remits by the 15th of the following month the “monthly federal liability” which is 1) employee federal income tax withheld; 2) employee social security and Medicare taxes withheld; and 3) the employer’s portion of social security and Medicare taxes.**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Week Ending** | **Standard****Hours** | **OT****Hours** | **Gross****Earnings** | **Social Security Tax** | **Medicare Tax** | **Federal Income** **Tax** | **Net****Pay** |
| **1st Qtr.** | **520** |  | **5,725.00** | **354.95** | **83.01** | **800.00** | **4,487.04** |
|  |  |  |  |  |  |  |  |
| **Apr 1** | **40** |  |  |  | **7.54** |  |  |
| **8** | **40** |  |  | **39.68** |  |  |  |
| **15** | **40** |  |  |  |  | **69.00** |  |
| **22** | **40** |  |  | **28.52** |  |  |  |
| **29** | **40** | **8** |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **May 6** | **40** | **20** |  |  |  |  |  |
| **13** | **40** |  | **580.00** |  |  |  |  |
| **20** | **36** |  |  |  |  |  |  |
| **27** | **40** | **0** | **400.00** | **24.80** | **5.80** | **60.00** |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |

***TABLE 3***

**(for questions 68 through 80)**

**Ann Best is the sole owner of Best Real Estate. The selected amounts that appear on the work sheet on page 13 are accurate.**

**Acquisitions of office supplies and insurance are properly recorded in their respective asset accounts. Adjusting and closing entries are prepared only at the end of the fiscal year, which is December 31.**

**All adjusting entries made in prior years were prepared correctly.**

**Additional Information:**

* **Office Supplies:**

 **Inventory on January 1, 2015………...$ 2,615**

 **Purchased during 2015………………… 3,721**

 **Inventory on December 31, 2015…..… 2,450**

* **Insurance information:**

 **paid by check $3,300 on August 1, 2014 for a 12-month policy**

 **paid by check $3,540 on August 1, 2015 for a 12-month policy**

* **Ann Best, Capital:**

 **General Ledger balance January 1, 2015 $29,363**

 **owner capital contribution June 27, 2015 $5,000**

* **Cash withdrawals by owner for personal use were equal payments of $2,200 per month during 2015.**

 UIL Accounting District 2016-D1 -13-

|  |
| --- |
| **Best Real Estate** |
| **Work Sheet** |
| **For the Year Ended December 31, 2015** |
| **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** |  |  |  |  |  |  |  |  |  |  |
| **Petty Cash** | **150** |  |  |  |  |  |  |  |  |  |
| **Prepaid Insurance** |  |  |  |  |  |  |  |  |  |  |
| **Office Supplies** |  |  |  |  |  |  |  |  |  |  |
| **Office Equipment** | **7,900** |  |  |  |  |  |  |  |  |  |
| **Vehicle** | **25,000** |  |  |  |  |  |  |  |  |  |
| **Accounts Payable** |  | **4,650** |  |  |  |  |  |  |  |  |
| **Ann Best, Capital** |  |  |  |  |  |  |  |  |  |  |
| **Ann Best, Drawing** |  |  |  |  |  |  |  |  |  |  |
| **Commissions Earned** |  |  |  |  |  |  |  |  |  |  |
| **Rent Expense** | **10,740** |  |  |  |  |  |  |  |  |  |
| **Utilities Expense** | **3,792** |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| **Subtotals Before Net Income** |  |  |  |  |  |  |  |  | **72,425** |  |
| **Net Income** |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |