**UIL ACCOUNTING**

**Regional 2016-R**

**Group 1**

**Indicate whether each item in questions 1 through 24 is debited or credited during the closing process or whether the account or item is not closed. Write the correct identifying letters (DR or CR or NC) on your answer sheet. This business uses the periodic inventory system.**

|  |
| --- |
| **DR = this account is closed with a debit** |
| **CR = this account is closed with a credit** |
| **NC = this is not a temporary capital account; or this is not an account** |

1. Land 13. a partner’s drawing account

2. Sales 14. Accumulated Depreciation—Equipment

3. Transportation In 15. Sales Returns & Allowances

4. Gain on Plant Assets 16. Cost of Delivered Merchandise

5. Allowance for Uncollectible Accounts 17. Book Value of Accounts Receivable

6. Trade-in Value 18. Prepaid Insurance

7. Payroll Tax Expense 19. FICA Tax Payable

8. Purchases 20. Depreciation Expense

9. Bad Debts Expense 21. Samuel Pate, Capital

10. Cost of Merchandise Sold 22. Purchases Discounts

11. Sales Tax Payable 23. Merchandise Inventory

12. Income Summary (net income) 24. Salary Expense

**Group 2**

**On November 1, 2015 Claire Birdie, owner of Birdie Seed & Feed, received a bank statement dated October 30, 2015. It is company policy to record any necessary journal entries and to update the checkbook balance after the bank reconciliation is completed. Claire compared the company’s checkbook records with the bank statement and found the following:**

* The October bank statement shows an ending balance of $2,569.55
* The statement shows the October bank service charge of $18.65
* A check from Clayton Farms for $85.16 that was deposited in the business bank account on October 28 was returned by the bank. Claire’s bank charged her account with a $15 fee for handling the dishonored check. (Both the dishonored check and the fee were first discovered upon receipt of the bank statement.)
* A deposit of $3,619 was made on October 31 but does not appear on the bank statement.
* Four October checks do not appear on the bank statement:

Check #6219 for $316.43 Check #6222 for $28.44

Check #6220 for $1,694.46 Check #6224 for $689.11

**For questions 25 and 26, write the correct amount on your answer sheet.**

25. What is the reconciled (adjusted) bank balance on October 31, 2015?

26. What was the balance in the checkbook immediately before the bank reconciliation was prepared?

**Group 3**

**One of the items sold at Barb’s Boutique is a cell phone case. The following shows the beginning inventory and purchases information for the year.**

**During the year 62 cases were sold for $15 each and 47 cases were sold for $18 each. The company uses a periodic inventory system. (If necessary, round computations to the nearest cent.)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Number of**  **Units** | **Cost per Unit** |  |
| **1-1-15** | **Beginning Inventory** | **5** | **6.00** |  |
| **Jan** | **Purchase** | **10** | **6.10** |  |
| **Feb** | **Purchase** | **5** | **6.20** |  |
| **Mar** | **Purchase** | **10** | **6.40** |  |
| **Apr** | **Purchase** | **20** | **6.00** |  |
| **May** | **Purchase** | **20** | **5.00** |  |
| **July** | **Purchase** | **15** | **6.00** |  |
| **Aug** | **Purchase** | **20** | **5.00** |  |
| **Nov** | **Purchase** | **10** | **6.40** |  |
| **Dec** | **Purchase** | **10** | **5.00** |  |
|  |  |  |  |  |

**For questions 27 through 29, write the correct amount on your answer sheet.**

\*27. What is the amount of gross profit for the year if the FIFO method of inventory

valuation is used?

\*28. What is the amount of gross profit for the year if the LIFO method of inventory

valuation is used?

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

inventory valuation is used?

**Group 4**

**For question #30, write the correct amount on your answer sheet. Some of the subtotals on a worksheet before net income or net loss is calculated are as follows:**

|  |  |
| --- | --- |
| **Income Statement Debit** | **462,798** |
| **Balance Sheet Debit** | **231,810** |
| **Balance Sheet Credit** | **247,619** |

30. What is the amount of the Income Statement Credit column subtotal before net

income or net loss is calculated?

**Group 5**

**Rates for the employee payroll tax withholdings and the employer’s applicable payroll taxes are as follows:**

|  |  |
| --- | --- |
| **Social Security** | **6.2% on gross earnings up to $118,500** |
| **Medicare** | **1.45% on all earnings** |
| **Federal Unemployment Tax** | **.6% on first $7,000 of gross earnings** |
| **State Unemployment Tax** | **.45% on first $9,000 of gross earnings** |
| **Federal Income Tax** | **Disregard** |

**The earnings for the calendar year 2015 for the employees of Hilton Sales are as follows:**

|  |  |
| --- | --- |
| **Employee** | **Cumulative**  **Earnings** |
| **Debbie** | **120,000** |
| **Ryan** | **24,000** |
| **Kate** | **8,400** |
| **Jaxon** | **6,000** |

**For question #31, write the correct amount on your answer sheet.**

31. What is the total amount of payroll tax expense incurred by the employer?

**Group 6**

**Select the term that best matches or completes the statements below. For items 32 through 37, write the identifying letter of the best response on your answer sheet. Each term (if used) is used only once.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **A** | accumulated depreciation |  | **J** | lower of cost or market |
| **B** | assessed |  | **K** | matching principle |
| **C** | book value |  | **L** | personal |
| **D** | current assets |  | **M** | plant assets |
| **E** | depreciation |  | **N** | real |
| **F** | double declining-balance |  | **O** | rule of allocation principle |
| **G** | fair market |  | **P** | straight-line |
| **H** | land |  | **Q** | unallocated revenue |
| **I** | life-to-date depreciation |  |  |  |

32. An asset that is considered permanent and is not depreciated

33. The total amount of depreciation for a plant asset that has been recorded up to a

specific point in time.

34. For property tax purposes, land and anything attached to the land is called \_?\_

property.

35. Assets that will be used for a number of years in the operation of a business

36. Allocating the cost of a plant asset over the periods that the asset will be used to

produce revenue follows which principle?

37. Allocating to expense the cost of a plant asset over that asset’s useful life

**Group 7**

**For questions 38 through 45, write the correct amount on your answer sheet.**

**Ratcliff Co. uses the periodic inventory system and takes a physical inventory on the last day of each month.**

**The Ratcliff Co. experienced a total loss due to a fire on November 20, 2015. Now Ratcliff Co. must provide to their insurance company evidence of the estimated cost of the inventory lost. Fortunately, the company electronically transmitted all of their accounting data to an off-site server on a daily basis.**

**The off-site server provided the following data for the year-to-date ending October 31, 2015 and for the month of November through the 20th day.**

|  |  |  |
| --- | --- | --- |
|  | **01-01-15**  **through**  **10-31-15** | **November 1 through**  **Nov. 20, 2015** |
| **Sales** | **199,181** | **13,280** |
| **Sales Discounts** | **3,498** | **234** |
| **Sales Returns & Allow.** | **1,433** | **96** |
| **Beginning Inventory** | **26,740** | **?** |
| **Purchases** | **109,718** | **8,727** |
| **Purchases Ret. & Allow.** | **3684** | **246** |
| **Purchases Discounts** | **4311** | **287** |
| **Transportation In** | **3,877** | **258** |
| **Ending Inventory** | **23560** | **?** |

**Answer questions 38 through 44 based on the first ten months of the year.**

38. What is the amount of net sales?

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

40. What is the amount of net purchases?

41. What is the amount of cost of delivered merchandise?

42. What is the amount of cost of merchandise sold?

\*43. What is the gross profit on operations?

44. What is the percentage of gross profit on operations for the first ten months?

\*45. What is the estimated ending inventory destroyed by the fire?

**Group 8**

**Refer to the data in Table 1 on page 8. For questions 46 through 57, write the identifying letter of the best response on your answer sheet.**

46. On December 29, 2015 before any uncollectible accounts were written off for 2015,

Harper Co.’s book value of Accounts Receivable was:

A. $79,640 B. $86,192 C. $88,552 D. $88,875 E. $93,812

47. For Campbell Co. which of the following is correct about the entry to write-off the

uncollectible accounts on December 29, 2015?

A. Bad Debts Expense was debited $5,385.

B. Allowance for Uncollectible Accounts was debited $4,937.

C. Accounts Receivable was credited for $4,937.

D. Allowance for Uncollectible Accounts was credited $5,385.

E. none of the above

48. After the uncollectible accounts were written off for 2015 and before the adjusting

entry to record bad debts expense, Campbell Co.’s book value of Accounts

Receivable was:

A. $78,310 B. $78,860 C. $78,975 D. $79,640 E. $80,305 F. $84,360

49. The estimated bad debts expense for the year ended 12-31-15 for Harper Co. is:

A. $4,824 B. $4,937 C. $7,236 D. $7,297 E. $12,428 F. $18,642

50. Harper’s adjusting entry for estimated bad debts expense includes a

A. debit to Allowance for Uncollectible Accounts

B. credit to Accounts Receivable

C. credit to Allowance for Uncollectible Accounts

D. debit to Bad Debts Expense

E. both C and D

\*51. After the adjusting entry for bad debts expense for 2015 is posted, what is the

balance of Allowance for Uncollectible Accounts for Harper Co.?

A. $323 B. $5,147 C. $7,236 D. $7,559 E. $7,620 F. $18,965

52. Compare Harper Co.’s book value of Accounts Receivable calculated after the

uncollectible accounts were written off on December 29 to the book value after all

the adjusting entries were posted. The difference in the amount of book value

represents:

A. the uncollectible accounts actually written off during 2015

B. an arbitrary amount based on the Dun & Bradstreet credit rating report

C. there is no difference as the book value is the same in both cases listed above

D. the amount charged to bad debts expense in the year 2015

E. both the uncollectible accounts actually written off during 2015 and the amount

charged to bad debts expense in the year 2015

\*53. The estimated bad debts expense for the year ended 12-31-15 for Campbell Co. is:

A. $4,835 B. $6,165 C. $7,297 D. $7,620 E. $8,285 F. $10,578

**Group 8 continued**

54. The following accounts are found on which financial statements:

**Allowance for Uncollectible Accounts** **Bad Debts Expense**

A. Balance Sheet Cost of Merchandise Sold

B. Balance Sheet Income Statement

C. Income Statement Balance Sheet

D. Income Statement Statement of Owner’s Equity

55. If Campbell Co. fails to estimate and record bad debts expense, which of the

following would be a consequence?

A. The amount called “Total Assets” on the balance sheet is overstated.

B. The matching principle is violated.

C. Net income on the Income Statement is overstated.

D. all of the above

E. only B and C

**Continue to Refer to Table 1. For questions 56 and 57 only, consider the following additional facts. Assume that Campbell Co. received $490 from Perry’s Flowers on December 30, 2015. Assume also that the Aging of Accounts Receivable was not affected by this.**

56. Which of the following is the correct way to handle this receipt?

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Reinstatement of Perry’s Account** | | |  | **Entry for Cash Receipt** | | |
|  |  | **Allow. for** | **Uncollect.** |  |  |  |  |
|  | **Accts.** | **Uncollect.** | **Accounts** |  | **Cash in** | **Accts.** | **Other** |
|  | **Rec.** | **Accounts** | **Expense** |  | **Bank** | **Rec.** | **Income** |
| A. | no entry | $490cr | $490 dr |  | $490 dr | no entry | $490 cr |
| B. | no entry | no entry | no entry |  | $490 dr | no entry | $490 cr |
| C. | $490 dr | $490 cr | no entry |  | $490 dr | $490 cr | no entry |
| D. | $490 dr | no entry | $490 cr |  | $490 dr | $490 cr | no entry |

\*57. On December 31, Campbell’s adjusting entry to estimate the bad debt expense is

in the amount of

A. $4,345 B. $5,325 C. $5,500 D. $5,675 E. $6,165

**Group 9**

**Refer to Table 2 on pages 9 and 10. For questions 58 through 79, 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 work sheet, only the unadjusted trial balance has been prepared.**

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

58. Cash in Bank 62. Sales

\*59. Accounts Receivable 63. Purchases

60. Supplies on Hand 64. Insurance Expense

61. Accounts Payable

**Group 9 continued**

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

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

\*65. Allowance for Uncollectible Accounts

\*66. Prepaid Insurance

\*\*67. Accumulated Depreciation (for all depreciable assets combined)

\*68. Income Summary (it is not necessary to indicate debit or credit in your answer)

69. Supplies Expense

70. Bad Debt Expense

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

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

71. Cost of Merchandise Available for Sale

\*72. Gross Profit

\*73. Total Expenses

\*\*74. Net Income

On the Statement of Changes in Partners’ Equity, what is the correct amount of:

75. net income allocable to Alex Anton

\*76. the ending capital balance for Brent Bower

\*77. the ending capital balance for Caleb Clark

On the Balance Sheet dated December 31, 2015, what is the correct amount of:

78. Book Value of Accounts Receivable

\*79. Total Assets

**Group 10**

**Continue to refer to Table 2. For question #80, write the identifying letter of the best response on your answer sheet.**

80. On January 1, 2016 a person offered to purchase one of the vans for $29,000. If

ABC Electrical Supply sells the van on this date, which of the following is false?

A. The original cost of the equipment is $30,000.

B. The sales price is $29,000.

C. The Book Value of the equipment on January 1, 2016 is $29,750.

D. The gain on the sale is $1,500.

**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 46 through 57)**

At the end of the fiscal year 12-31-15 before any uncollectible accounts are written off or before any adjusting entries are recorded, the following information is available for two separate companies called Harper Co. and Campbell Co. Each company prepares adjusting and closing entries only at the end of the fiscal year which is December 31.

|  |  |  |
| --- | --- | --- |
| **Harper Co.** |  | **Campbell Co.** |
| $ 93,812 | Accounts Receivable | $ 84,360 |
| 5,260 cr | Allowance for Uncollectible Accounts | 4,720 cr |
| 621,400 | Gross Sales (includes charge sales) | 779,500 |
| 241,200 | Charge Sales | 352,600 |
|  |  |  |

Each company uses an allowance method to estimate bad debts expense. Harper Co. uses the Percentage of Charge Sales method (historically Harper has used 3%) while Campbell Co. uses the Aging of Accounts Receivable method.

Prior to journalizing the end-of-year adjusting entries, the two companies wrote off the following uncollectible accounts respectively on December 29, 2015:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Harper Co.** |  |  | **Campbell Co.** |  |
| Bertran Ironworks | $ 540 |  | Creighton Electronics | $2,741 |
| Jaystone Partners | 1,960 |  | Duncan Tooling | 365 |
| Firestone LLC | 2,437 |  | Prime Realty | 1,789 |
|  |  |  | Perry’s Flowers | 490 |

Each company’s accounting software is capable of producing a report entitled “Aging of Accounts Receivable.” The following are the totals from the respective company’s Aging of Accounts Receivable dated December 31, 2015:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Harper Co.** | $7,620 |  | **Campbell Co.** | $5,500 |

Adjusting entries were journalized and posted on December 31, 2015

***Table 2***

**(for questions 58 through 80)**

On August 1, 2015 three individuals finalized the partnership agreement to form a new partnership that will operate under the business name of ABC Electrical Supply.

ABC Electrical Supply has the following accounting and business policies:

* the fiscal year end is December 31
* adjusting and closing entries are prepared only at the end of the fiscal year
* uses the periodic inventory method (There is NO general ledger account entitled Cost of

Merchandise Sold, nor should you open one; however, there is an account entitled

Purchases.)

* all supplies and insurance are first recorded in respective asset accounts
* partners will share net income or loss in the same ratio as their contributed capital of August 1, 2015
* the account called Income Summary is also used to make the adjustment for change in

merchandise inventory at the end of the fiscal year

* uses the allowance method of accounting for uncollectible accounts and estimates the uncollectible accounts expense using the aging of accounts receivable method
* uses one combined contra asset account called Accumulated Depreciation

On August 1, 2015, each partner agreed to invest the following assets in the new business. A certified appraiser provided the fair market value of the assets contributed by Alex, Brent and Caleb.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Alex Anton** | **Brent Bower** | **Caleb Clark** |
| **Cash** | **210,000** |  |  |
| **Delivery Equipment**  **(5 identical vans)** |  |  | **150,000** |
| **Building** |  | **220,000** |  |
| **Land** |  | **20,000** |  |

ABC Electrical Supply will use the building contributed by Brent as a retail store that sells electrical materials, light fixtures, ceiling fans, etc. to the general public and will also sell to electrical contractors and deliver merchandise to their job sites.

On August 1, 2015, ABC Electrical Supply purchased substantially all of the assets of a competing business called Empire Electric. In the purchase agreement, Empire Electric agreed to cease business operations in a specified geographical area. ABC Electrical Supply issued a check to Empire Electric for $159,675. The same certified appraiser provided the fair market value of the following assets purchased from Empire Electric.

|  |  |
| --- | --- |
| **Accounts Receivable**  all accounts are less than 30 days old and are considered fully collectible | **25,875** |
| **Supplies on Hand**  this includes packaging and shipping materials as well as office supplies | **8,430** |
| **Merchandise Inventory** (see note below) | **81,790** |
| **Store Shelving & Displays** | **30,800** |
| **Computer Equipment** | **12,780** |
| **Total** | **159,675** |

***Table 2 continued***

On August 1, 2015, ABC Electrical Supply wrote a check for $6,096 for a 12-month insurance policy that covers all of the assets owned by the partnership.

**Additional Information About Assets Purchased from Empire Electric:**

* The merchandise inventory purchased from Empire Electric should be recorded in the asset account

**Below is a summary of all the transactions that occurred from August 2, 2015 through December 31, 2015.** (Disregard sales taxes.)

* sales made to customers who paid with currency or a check $87,845
* sales on account $52,870
* sales made to customers who used bank credit cards $484,265
* purchases of merchandise by issuing a check $10,680
* purchases of merchandise on account $335,059
* bought supplies by issuing a check $3,790
* bought supplies on account $12,650
* incurred various business expenses on account $151,591
* payments on account to all vendors $472,870
* collections on account from customers $59,981
* the partners agreed to take a cash withdrawal of $20,000 each because they spent about the same amount of time working in the business (The partnership

agreement allows this.)

**End-of-Fiscal Year Information:**

* physical inventory of supplies taken on December 31 was $6,850
* physical inventory of merchandise taken on December 31 was $83,790
* the Aging of Accounts Receivable report dated December 31 indicates a total estimated uncollectible of $875

|  |  |  |  |
| --- | --- | --- | --- |
| **Asset**  **Description** | **\*\*Estimated**  **Salvage**  **Value** | **Depreciation Method** | **Estimated**  **Useful**  **Life** |
| Building | 76,000 | Straight-Line | 30 years |
| 5 Delivery Vans | 15,000 | DDB | 10 years |
| Shelving & Displays | 4,700 | Straight-Line | 15 years |
| Computer Equipment | 1,200 | DDB | 5 years |

**\*\***The estimated salvage value $15,000 is the total amount for all five vans.