**UIL ACCOUNTING**

**State 2017-S**

**Group 1**

**For questions 1 through 5, write on your answer sheet how each item is closed (or not closed) at the end of the fiscal year using the following code (do not substitute any letter or word for the codes DR, CR, NC):**

|  |  |  |
| --- | --- | --- |
| **DR** | = | **close the account with a debit** |
| **CR** | = | **close the account with a credit**  |
| **NC** | = | **this item is either not closed OR it is not an account** |

1. Dividends—Common 4. Paid-in Capital in Excess of Par—Common

2. Retained Earnings 5. Gain on Plant Assets

3. Unearned Revenue

**Group 2**

**The following information comes from the accounting records of two separate businesses. Stone Company’s 2016 net income was $23,650.**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Wood Co.** |  |  **Stone Co.** |
| **December 31, 2015:** |  |  |  |
|  Assets | 84,820 |  | 96,827 |
|  Liabilities | 16,240 |  | 21,218 |
| Common Stock | 20,000 |  | 30,000 |
| Retained Earnings |  ?? |  |  ?? |
| **December 31, 2016:** |  |  |  |
|  Assets | 85,418 |  |  ?? |
|  Liabilities | 14,129 |  | 18,678 |
|  Common Stock | 20,000 |  |  ?? |
|  Retained Earnings |  ?? |  |  ?? |
| **During 2016:** |  |  |  |
|  New shares issued (in dollars) |  zero |  | 10,000 |
|  Revenue  |  ?? |  |  ?? |
|  Cost of Merchandise Sold | 59,210 |  |  ?? |
|  Expenses | 31,511 |  |  ?? |
|  Dividends | 5,000 |  | 15,000 |

**For questions 6 and 7, write the correct amount on your answer sheet.**

6. What was the amount of revenue for Wood Co.?

7. What was the amount of assets on 12-31-16 for Stone Co?

**Group 3**

**At the end of its fiscal year (12-31-16), 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** | **59,155** |
| **Allowance for Uncollectible Accounts** | **142 credit** |
| **Net sales** | **92,600** |
| **Total charge sales** | **60,200** |
| **The aging of accounts receivable indicates****uncollectible accounts of** | **1,840** |

**For questions 8 and 9, write the identifying letter of the correct response on your answer sheet.**

8. What is the amount of bad debt expense for 2016 if the aging method is used to estimate uncollectible accounts?

 A. $1,204 B. $1,389 C. $1,698 D. $1,840 E. $1,852 F. $1,982

 9. If the company were to estimate uncollectible accounts based on 1**.**5% of total

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

 balance sheet dated 12-31-16?

 A. $56,412 B. $57,624 C. $57,809 D. $58,110 E. $58,252 F. $59,155

**Group 4**

**Write the identifying letter of the following account titles that best fulfills each accounting entry in items 10 through 15.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **A** | **Cash in Bank** |  | **E** | **Accounts Payable** |
| **B** | **Petty Cash** |  | **F** | **Purchases** |
| **C** | **Accounts Receivable** |  | **G** | **Cost of Merchandise Sold** |
| **D** | **Merchandise Inventory** |  | **H** | **Sales** |

**Answer items 10 through 13 assuming the company policy is to use the perpetual inventory method.**

|  |  |  |
| --- | --- | --- |
|  | **Debit** | **Credit** |
| **Purchased merchandise for resale on account** | **#10** | **XXX** |
|  |  |  |
| **Sold merchandise to a customer on account (selling price)** | **XXX** | **#11** |
| **Same sales entry as preceding (cost portion of transaction)** | **\* #12** | **\* #13** |

**Answer items 14 and 15 assuming the company policy is to use the periodic inventory method.**

|  |  |  |
| --- | --- | --- |
|  | **Debit** | **Credit** |
| **Purchased merchandise for resale on account** | **#14** | **XXX** |
| **Sold merchandise to a customer on account** | **#15** | **XXX** |

**Group 5**

**Rhinestone Corp has the following information about an item it sells for $25 each. During the year the company sold 87 units.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Number of****Units** | **Cost per Unit** | **Extended Amount** |
| **Jan 1** | **Beginning Inventory** | **7** | **8.45** | **59.15** |
| **Jan** | **Purchase** | **15** | **8.60** | **129.00** |
| **Mar** | **Purchase** | **25** | **8.65** | **216.25** |
| **Apr** | **Purchase** | **14** | **8.70** | **121.80** |
| **June** | **Purchase** | **9** | **8.75** | **78.75** |
| **July** | **Purchase** | **16** | **8.80** | **140.80** |
| **Nov** | **Purchase** | **6** | **8.90** | **53.40** |
| **Dec** | **Purchase** | **5** | **8.95** | **44.75** |
|  |  | **97** |  | **843.90** |

**For questions 16 through 18, write the identifying letter of the correct amount on your answer sheet.**

16. What is the amount of cost of merchandise sold using the FIFO inventory valuation

 method?

 A. $754.65 C. $758.95 E. $1,415.60 G. $1,418.10

 B. $756.90 D. $759.40 F. $1,416.05 H. $1,420.35

17. What is the amount of gross profit using the average cost inventory valuation

 method?

 A. $754.65 C. $758.95 E. $1,415.60 G. $1,418.10

 B. $756.90 D. $759.40 F. $1,416.05 H. $1,420.35

18. What is the amount of gross profit using the LIFO inventory valuation method?

 A. $754.65 C. $758.95 E. $1,415.60 G. $1,418.10

 B. $756.90 D. $759.40 F. $1,416.05 H. $1,420.35

**Group 6**

**For questions 19 and 20, write the identifying letter of the best response on your answer sheet.**

19. A business purchased a cash register on January 1, 2016 for $4,500. This cash

 register had a useful life of 10 years and a salvage value of $300. What should the

 second year’s depreciation expense be using the double declining-balance method?

 A. $405 B. $672 C. $720 D. $840 E. $900

20. Yellow Company bought a used vehicle on September 1, 2016. The vehicle

 cost $9,000, had a salvage value of $600 and a useful life of 5 years. How much

 depreciation expense should Yellow Company record for the year ended

 December 31, 2016, using the straight-line method?

 A. $420 B. $560 C. $600 D. $1,680 E. $1,800

**Group 7**

**The incomplete financial statements for Magoo, Inc. appear below. Compute the missing amounts and answer questions 21 through 25 by writing the correct amount on your answer sheet.**

**Additional information needed:**

* **Accounts Receivable on 1-1-16 was $48,200 and on 12-31-16 had**

**increased by 20%**

* **Stockholders’ equity on 12-31-15 was $340,000**
* **Stockholders’ equity on 12-31-16 was 40% of total assets on the same date**
* **Current ratio 1.8 to 1**
* **Quick ratio 1.2 to 1**
* **Gross profit percentage 41%**
* **Return on sales 6%**
* **Return on common stockholders’ equity 15%**

**Magoo, Inc.**

**Balance Sheet**

**December 31, 2016**

**Cash in Bank \_\_\_\_\_\_\_\_\_\_ Current Liabilities \_\_\_\_\_\_\_\_\_**

**Accounts Receivable \_\_\_\_\_\_\_\_\_\_ Long-Term Liabilities 390,000**

**Merchandise Inventory \_\_\_\_\_\_\_\_\_\_ Stockholders’ Equity \_\_\_\_\_\_\_\_\_**

**Prepaid Insurance 3,600**

**Property, Plant & Equip. \_\_\_\_\_\_\_\_\_\_**

 **Total Liabilities and**

**Total Assets $\_\_\_\_\_\_\_\_\_ Stockholders’ Equity $\_\_\_\_\_\_\_\_**

**Magoo, Inc.**

**Income Statement**

**For the Year Ended December 31, 2016**

|  |  |
| --- | --- |
| **Net Sales…………………………** |  |
| **Cost of Merchandise Sold…….** |  |
| **Gross Profit on Sales………….** |  |
| **Total Operating Expenses……** |  |
| **Net Income………………………** |  **52,500**  |

\*21. What is the amount of Cash in Bank?

\*22. What is the amount of Merchandise Inventory?

 \*23. What is the amount of Current Liabilities?

24. What is the amount of Cost of Merchandise Sold?

 \*25. What is the amount of working capital?

**Group 8**

**The Balance Sheet of Taylor, Inc. as of December 31, 2016 included the following amounts:**

|  |  |
| --- | --- |
| **4% Preferred Stock, $100 Par** | **95,000** |
| **Common Stock, $25 Par** | **216,250** |
| **Paid-In Capital in Excess of Par—Common** | **155,700** |
| **Retained Earnings** | **739,608** |

**Taylor, Inc. is authorized to issue 10,000 shares of $100 par, 4% preferred stock and 500,000 shares of $25 par common stock.**

**For questions 26 through 30, write the correct number or amount on your answer sheet.**

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

 \*27. Considering the fact that there has been only one issuance of common stock, at

 what price per share were the common shares sold?

28. How many shares of 4% Preferred Stock have been issued?

29. If the corporation pays preferred dividends on a quarterly basis, what would be the

 amount of the first quarter’s preferred stock dividend paid to all preferred

 shareholders combined?

 \*30. Disregard the information in the previous question and assume now that preferred

 and common stockholders are paid annually. On November 15, 2016 the board of

 directors of Taylor, Inc. declared a total cash dividend of $50,510 for both

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

 payable on January 15, 2017. What amount per share is available to common

 shareholders?

**Group 9**

**Refer to Table 1 at the bottom of page 9. For questions 31 through 39 write the identifying letter of the best response on your answer sheet.**

31. The face amount of the note is

 A. not known until Mike Nabors decides to make payment

 B. $4,200 plus the deferred interest

 C. $4,200 plus the accrued revenue

 D. $4,200

32. What was the balance in Interest Income on November 11, 2016?

 A. zero B. $0**.**70 C. $ 1**.**40 D. $10 E. $35 F. $42 G. $252

33. The maturity value is

 A. $7 B. $35 C. $42 D. $4,200 E. $4,207 F. $4,235 G. $4,242

34. What amount of interest did Mayberry Co. earn in 2016?

 A. zero B. $7 C. $35 D. $42 E. $50 F. $60 G. $252

**Group 9 continued**

35. On December 31, 2016 Mayberry made an entry that debited Interest Receivable

 and credited Interest Income. Which of the following is true regarding this entry in

 Mayberry’s accounting system? This entry is

 A. a closing entry. D. required in the cash basis of accounting.

 B. a reversing entry. E. an adjusting entry for an accrued revenue.

 C. an example of a deferral. F. an adjusting entry for an unearned revenue.

\*36. What was the balance in Interest Income after the 12-31-16 adjusting entries were

 posted but before closing entries were prepared?

 A. zero D. $35 debit F. $42 debit

 B. $7 debit E. $35 credit G. $42 credit

 C. $7 credit

37. What was the balance in Interest Income after the 2016 closing entries were posted

 but before reversing entries were prepared?

 A. zero D. $35 debit F. $42 debit

 B. $7 debit E. $35 credit G. $42 credit

 C. $7 credit

38. What was the balance in Interest Income after reversing entries were posted but

 before Mr. Nabors made any payment?

 A. zero D. $35 debit F. $42 debit

 B. $7 debit E. $35 credit G. $42 credit

 C. $7 credit

\*39. What was the balance in Interest Income as of the end of January 2017?

 A. zero D. $35 debit F. $42 debit

 B. $7 debit E. $35 credit G. $42 credit

 C. $7 credit

**Group 10**

**For questions 40 through 45, write the identifying letter of the best response on your answer sheet.**

40. Merchandise was sold on account for $5,000 with terms of 3/10, n/30, with a

 subsequent sales return of $200. If payment is received within the discount

 period, net sales as a result of the above transactions would be:

 A. $4,650 B. $4,656 C. $4,800 D. $4,850 E. $5,000

41. Unearned Revenue is classified as a

 A. revenue B. current liability C. long-term debt D. capital stock

42. Which of the following is not an example of accrued expenses?

 A. premiums paid in advance on insurance policies

 B. salaries earned by employees not yet paid to them

 C. property taxes owed but not yet paid

 D. unpaid interest incurred on promissory notes

**Group 10 continued**

\*43. Ranger Company’s employees had the following earnings records at the close of

 the March 31 payroll period:

|  |  |  |
| --- | --- | --- |
| **Employee** | **Earnings Through****Last Pay Period** | **Earnings****This Pay Period** |
| J. Lucroy | 6,300 | 1,900 |
| E. Andrus | 8,100 | 1,500 |
| M. Napoli | 9,200 | 3,100 |
| S. Choo | 3,800 | 1,400 |
| A. Beltre | 10,400 | 2,600 |

 Ranger Company’s payroll tax expense on each employee includes: social security

 of 6.2% on the first $127,200 earned; Medicare of 1.45% on all earnings; federal

 unemployment taxes of 0.8% on the first $7000 earned; and state unemployment

 taxes of 2.7% on the first $9,000 earned. What is the total payroll tax expense for

 the current pay period?

 A. $876.75 B. $933.45 C. $1,170.75 D. $2,596.65 E. $5,099.35

44. Unearned revenues, prepaid expenses, accrued expenses, and accrued revenues

 are all examples of

 A. accounts with credit balances

 B. accounts with debit balances

 C. items that have associated contra accounts

 D. items that require adjusting entries

 E. Income Statement accounts

45. On December 31, 2016 Orange Company’s trial balance indicated a net income of

 $18,260. However, Orange Company failed to make an adjustment for $550 of

 accrued service revenue earned but not received, and also failed to record the

 expiration of $300 of insurance premiums that had been debited to Prepaid

 Insurance. The Unearned Revenue account contained a normal balance of $600

 which was actually earned by December 31, 2016. And finally, employee salary

 expense of $750 was incurred but not yet paid by the end of the year 2016. These

 errors of omission will cause the following:

 **Assets** **Liabilities** **Capital**

 A. understated $250 understated $750 understated $100

 B. understated $250 understated $150 overstated $100

 C. overstated $250 overstated $150 overstated $100

 D. understated $250 understated $150 understated $100

 E. overstated $500 overstated $150 overstated $350

**Group 11**

**Refer to Table 2 on pages 10 and 11, and the work sheet on page 12. For questions 46 through 57, 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?

46. Cash in Bank 52. Amy Grant, Drawing

\*47. Accounts Receivable 53. Income Summary

48. Supplies \*54. Sales

49. Prepaid Insurance 55. Purchases

\*50. Accounts Payable 56. Salaries Expense

\*51. Sales Tax Payable \*57. Payroll Tax Expense

**Group 12**

**Continue to refer to Table 2. For questions 58 through 63, 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 adjusted trial balance?

58. Cash in Bank 61. Supplies Expense

\*59. Merchandise Inventory 62. Insurance Expense

60. Amy Grant, Capital 63. Miscellaneous Expense

**Group 13**

**Continue to refer to Table 2. For questions 64 through 73, give the correct amounts that would appear on the income statement for the twelve months ending December 31, 2016 and the balance sheet dated December 31, 2016.**

64. Cost of Delivered Merchandise 69. Net Purchases

65. Cost of Merchandise Sold 70. Net Sales

66. Cost of Merchandise Available for Sale \*71. Total Assets

67. Gross Profit 72. Total Liabilities

\*68. Net Income 73. Total Expenses

**Group 14**

**Continue to refer to Table 2. For questions 74 and 75, write the correct amount on your answer sheet.**

74. What was the total amount of charge sales by customers for the year?

\*75. What was the balance in Amy Grant, Capital on December 31, 2016 after all

 closing entries were posted?

**Group 15**

**Continue to refer to Table 2. The following chart represents the bottom three lines of selected columns on the completed work sheet: subtotals before net income or net loss is calculated; the line for net income or net loss; and the line for the respective balancing totals for the income statement columns and the balance sheet columns.**

**For each of the questions 76 through 79 (found in the chart below), write the correct amount on your answer sheet.**

|  |  |  |
| --- | --- | --- |
|  | **Income Statement** | **Balance Sheet** |
|  | **Debit** | **Credit** | **Debit** | **Credit** |
| **Subtotals** | #76 | #77 | #78 | #79 |
| **Net Income or <Net Loss>** | Red | Blue | Yellow | Green |
| **Totals** |  |  |  |  |

**For question 80, write the identifying letter of the best response on your answer sheet.**

80. After the net income or net loss is calculated, indicate in which columns of the work

 sheet the amount would appear in the chart above using colors as indicators.

 A. Red Blue C. Red Green E. Blue Green

 B. Green Yellow D. Red Yellow F. Blue Yellow

**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 31 through 39)**

**Mayberry Co. accepted a 60-day, 6% interest-bearing note on November 11, 2016 from Mike Nabors, a customer, for an extension of time on his account in the amount of $4,200.**

**This is the only note receivable Mayberry Co. has ever had. Mr. Nabors paid the note and interest in full on the maturity date.**

**Mayberry Co. has the following accounting policies and procedures:**

**1. Uses the accrual basis of accounting**

**2. Fiscal year-end December 31**

**3. Adjusting entries are prepared only at fiscal year-end**

**4. Closing entries are prepared only at fiscal year-end**

**5. Uses reversing entries**

**6. Uses 360-day year for promissory note calculations**

***TABLE 2***

**(for questions 46 through 80)**

**Amy Grant is the owner of Amy’s Gift Shop. The selected amounts that appear on the work sheet on page 12 are accurate.**

**It is company policy to purchase on account only merchandise for resale. All other assets and expenses must be paid for by check at the time of acquisition. Some of the merchandise vendors used in 2016 did not allow purchases on account by Amy’s Gift Shop and required that payment by check be received by the vendor prior to shipment.**

**Acquisitions of 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.**

**It is company policy to record any necessary journal entries and to update the checkbook balance after the bank reconciliation is completed. Monthly bank service charges vary and are not known until the bank statement is received. Bank charges are posted to the Miscellaneous Expense account.**

**Amy contracted with a Certified Public Accountant as an independent contractor for selected bookkeeping and accounting services to be performed for Amy’s business for the year 2016. However, the CPA began the work in January of 2017.**

**The CPA prepared the trial balance on the work sheet prior to preparing the bank reconciliation for December. Therefore, any necessary journal entries required from the December bank reconciliation must be recorded as an adjusting entry on the work sheet. This is company policy and must be followed.**

**Payroll tax expense per employee is based on the following:**

|  |  |
| --- | --- |
| **Social Security** | **6.2% on gross earnings up to $118,500** |
| **Medicare** | **1.45% on all earnings** |
| **Federal Unemployment Tax** |  **.8% on first $7,000 of gross earnings** |
| **State Unemployment Tax** | **2.9 % on first $9,000 of gross earnings** |

**Additional Information:**

* **Cash in Bank:**

 **Balance on the Bank Statement dated 12-27-16………….. $11,243**

 **Bank Service Charge on the bank statement……………… 35**

 **The outstanding checks total………………………………… 4,279**

 **The deposits in transit…………………………………………. 3,641**

 **There are no math errors in the check stubs.**

* **Accounts Receivable:**

 **The General Ledger balance on 1-1-16 was……………….. $13,745**

 **Received on account from customers……………………… 84,950**

 **The Schedule of Accounts Receivable agreed to the controlling account as of**

 **12-31-16**

***TABLE 2 continued***

* **Merchandise Inventory:**

 **January 1, 2016……………………. $21,680**

* **Supplies:**

 **Inventory on January 1, 2016……………………...$ 3,275**

 **Purchased by check during 2016………………… 6,290**

 **Inventory on December 31, 2016…..……………... 2,750**

* **Prepaid Insurance:**

 **Unexpired as of January 1, 2016…………………. $1,460**

 **Policy purchased by check during 2016……….. 4,620**

 **Unexpired as of December 31, 2016…………….. 1,540**

* **Accounts Payable:**

 **The General Ledger balance on 1-1-16 was………… $16,855**

 **Paid on account to vendors…………………………… 86,780**

 **The Schedule of Accounts Payable agreed to the controlling account as of**

 **12-31-16**

* **Owner’s Capital account**

 **Balance on January 1, 2016…………………………………. $42,378**

 **Capital contributions made by the owner in 2016………. 3,500**

* **The owner withdrew $2,500 cash each month during 2016 for personal use.**
* **Of the total gross sales for the year, $137,642 were from cash sales.**
* **The Gross Profit Percentage based on net sales for 2016 is 43%**

* **Purchases of merchandise: cash…………… $39,951**

 **on account…… 88,420**

* **The company employed one person during the year to perform bookkeeping duties, but she quit in October, and the owner did not rehire for that position. The bookkeeper left a rough draft of her employee Form W-2, and the amount of Social Security tax withheld is $744.**

* **All employer payroll tax expense was paid prior to 12-31-16.**
* **The Sales Tax Payable account has a normal balance in the General Ledger on 12-31-16, but the CPA has not yet listed the amount on the trial balance of the work sheet.**

UIL Accounting State 2017-S -12-

|  |
| --- |
| **Amy’s Gift Shop** |
| **Work Sheet** |
| **For the Year Ended December 31, 2016** |
| **Account Title** | **Trial Balance** | **Adjustments** | **Adjusted Trial Balance** |
|  | **Debit** | **Credit** | **Debit** | **Credit** | **Debit** | **Credit** |
| **Cash in Bank** |  |  |  |  |  |  |
| **Accounts Receivable** |  |  |  |  |  |  |
| **Merchandise Inventory** |  |  |  |  |  |  |
| **Supplies** |  |  |  |  |  |  |
| **Prepaid Insurance** |  |  |  |  |  |  |
| **Equipment & Store Shelving** | **32,850** |  |  |  |  |  |
| **Accounts Payable** |  |  |  |  |  |  |
| **Sales Tax Payable** |  |  |  |  |  |  |
| **Amy Grant, Capital** |  |  |  |  |  |  |
| **Amy Grant, Drawing** |  |  |  |  |  |  |
| **Income Summary** |  |  |  |  | **1,380** |  |
| **Sales** |  |  |  |  |  |  |
| **Sales Discounts** | **3,675** |  |  |  |  |  |
| **Sales Returns & Allowances** | **1,277** |  |  |  |  |  |
| **Purchases** |  |  |  |  |  |  |
| **Transportation In** | **4,280** |  |  |  |  |  |
| **Purchases Discounts** |  | **4,895** |  |  |  |  |
| **Purchases Returns & Allowances** |  | **3,679** |  |  |  |  |
| **Rent Expense** | **14,400** |  |  |  |  |  |
| **Utilities Expense** | **5,580** |  |  |  |  |  |
| **Advertising Expense** | **1,478** |  |  |  |  |  |
| **Salaries Expense** |  |  |  |  |  |  |
| **Payroll Tax Expense** |  |  |  |  |  |  |
| **Miscellaneous Expense** | **236** |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |