**UIL ACCOUNTING**

**Regional 2018-R**

**Group 1**

**Indicate whether each item in questions 1 through 12 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. a partner’s drawing account 7. Income Summary (net loss)

2. Sales 8. Accumulated Depreciation—Equipment

3. Cost of Merchandise Sold 9. Purchases Discounts

4. Transportation In 10. Book Value of Accounts Receivable

5. Sales Returns & Allowances 11. Uncollectible Accounts Expense

6. Gain on Plant Assets 12 Allowance for Uncollectible Accounts

**Group 2**

**Bosco contracts with utility companies to install underground water lines. Jayco also provides this type of service and needs to sell some of their equipment with the following fair market values for used equipment:**

|  |  |
| --- | --- |
| **Backhoe** | **60,000** |
| **Trencher** | **10 000** |
| **Excavator** | **25,000** |
| **Tracked Loader** | **30,000** |

**After much negotiation, Jayco agreed to accept Bosco’s offer of $75,000 for all of the equipment. (Disregard any other possible costs such as sales taxes or delivery costs.) Bosco will depreciate each piece of equipment individually.**

**For questions 13 through 16, write the identifying letter of the best response on your answer sheet.**

13. What is the cost allocated to the Backhoe?

A. $18,750 B. $36,000 C. $49,500 D. $60,000

14. What is the cost allocated to the Trencher?

A. $6,000 B. $10,000 C. $16,000 D. $18,750

15. What is the cost allocated to the Excavator?

A. $6,000 B. $15,000 C. $18,750 D. $25,000

16. What is the cost allocated to the Tracked Loader?

A. $6,000 B. $10,000 C. $18,000 D. $18,750

**Group 3**

**Stidham Co. carries an average monthly inventory of $18,000. When the company prepares interim financial statements, the accountant estimates the ending inventory using the gross profit method. Stidham Co. historically has averaged a gross profit percentage of 43%. Following are the normal balances in the general ledger as of January 31, 2018:**

|  |  |
| --- | --- |
| **Net Sales** | **84,500** |
| **Beginning Inventory, January 1, 2018** | **18,260** |
| **Net Purchases** | **47,575** |

**For question #17 write the correct amount on your answer sheet.**

17. What is the estimated ending inventory on January 31, 2018 using the gross profit

method?

**Group 4**

**Straight-line depreciation is used for the following depreciable assets in a farming operation that uses December 31 as its fiscal year end. For questions 18 through 21, write the correct amount or number on your answer sheet. Question numbers are indicated by the bold “Q#”.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Description | Months Owned First Year | Original Cost | Estimated Salvage Value | Estimated Useful Life | First Year’s Depreciation |
| Tractor | 4 | **Q#18** | 8,000 | 5 | 7,200 |
| Chisel Plow | 7 | 9,000 | 1,200 | **Q#19** | 455 |
| Cultivator | **Q#20** | 15,180 | 3,000 | 7 | 1,305 |
| Disk Harrow | 11 | 16,000 | **Q#21** | 15 | 825 |

**Continue to use the information above for the tractor, but assume instead that it was purchased on January 1, 2018 and that the farmer uses the double declining-balance method for the tractor. For questions 22 and 23, assume that all adjusting entries are prepared and posted correctly, and write the correct amount on your answer sheet.**

\*22. What is the book value on December 31, 2020?

\*23. What is the amount of accumulated depreciation on December 31, 2019

**Group 5**

**Following is a portion of an incomplete work sheet for the year ended 12-31-17 for a business that began operations on 8-1-16. The balance of Prepaid Insurance on the Post-Closing Trial Balance dated 12-31-16 (previous year) was an amount that represented 7 months of a one-year policy that cost $4,380. The company has only one insurance policy that renews each year on August 1, but the cost increases each year. In 2018, the company paid $5,100 for the renewal policy.**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Trial Balance** | | **Adjustments** | | **Income Stmt** | | **Balance Sheet** | |
|  | **DR** | **CR** | **DR** | **CR** | **DR** | **CR** | **DR** | **CR** |
| **Prepaid Insurance** | **7,415** |  |  | **4,580** |  |  |  |  |

**For questions 24 through 26, refer to the work sheet above and write the identifying letter of the best response on your answer sheet.**

24. The other part of the adjusting entry is a debit to

A. Agnes Dupree, Capital C. Insurance Expense

B. Income Summary D. Postpaid Insurance

25. The Prepaid Insurance account is usually classified

A. on the balance sheet as an asset

B. on the income statement as an asset

C. on the income statement as an expense

D. on the income statement as a revenue

26. The $7,415 represents the value of insurance

A. expired during the fiscal period

B. prepaid during the previous fiscal period

C. prepaid at the beginning of the fiscal period plus purchased during the year

D. prepaid at the end of the fiscal period

**For questions 27 through 31 write the correct amount on your answer sheet.**

What is the amount on the work sheet for Prepaid Insurance in the Trial Balance column for each of the following work sheets dated:

27. for the twelve months ended 12-31-16

28. for the twelve months ended 12-31-18

What is the amount on the Post-Closing Trial Balance for each of the following dates:

29. 12-31-16

30. 12-31-17

\*31. 12-31-18

**Group 6**

**A retail business began operations on October 1, 2017. The company has a fiscal year end of December 31 and uses a periodic inventory system. The physical inventory on December 31 indicates there are 1,000 units on hand. All units sold were sold for $40 per unit.**

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** |  | **Number of**  **Units** | **Cost per Unit** |
| **October 1** | **Purchased** | **1,000** | **$20** |
| **December 20** | **Purchased** | **1,000** | **$24** |

**For questions 32 through 37, write the identifying letter of the correct response on your answer sheet.**

32. When the FIFO inventory costing method is used, the ending inventory units are

priced at

A. $20 B. $22 C. $24 D. $40 E. $44

33. When the LIFO inventory costing method is used, the cost of merchandise sold is

calculated using the unit price of

A. $20 B. $22 C. $24 D. $40 E. $44

34. When the weighted-average inventory costing method is used, the cost of

merchandise sold is calculated using the unit price of

A. $20 B. $22 C. $24 D. $40 E. $44

35. In a year of falling prices, the inventory method that gives the highest possible

amount for ending inventory is

A. Weight-average B. FIFO C. LIFO D. Gross Profit Method

36. What is the amount of Cost of Merchandise Available for Sale?

A. zero B. $2,000 C. $20,000 D. $24,000 E. $40,000 F. $44,000

37. Besides FIFO, LIFO, and Weighted-average, which of the following is also an

inventory costing method?

A. BILO B. Key Measures C. Dexa Code D. Specific Identification

**Continue to use the above given information, but consider each of the following questions independently. For questions 38 through 40, write the correct amount on your answer sheet.**

\*38. What is the amount of gross profit when the FIFO method is used and instead there

are 800 units in the December 31 physical inventory?

\*39. What is the amount of gross profit when the LIFO method is used and instead there

are 1,100 units in the December 31 physical inventory and instead all units sold

were sold for $42 each?

\*40. What is the amount of gross profit when the Weighted-average method is used and

instead there are 800 units in the December 31 physical inventory and instead

all units sold were sold for $43 each?

**Group 7**

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

|  |  |
| --- | --- |
| **Social Security** | **6.2% on gross earnings up to $128,400** |
| **Medicare** | **1.45% on all earnings** |
| **Federal Unemployment Tax** | **.6% on first $7,000 of gross earnings** |
| **State Unemployment Tax** | **1.4% 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.**

**Eduardo Consulting pays employees semimonthly and has the following payroll information for 2018:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Employee** | **Accumulated Earnings**  **on March 31** | **Total**  **Earnings for April 1-15 Pay Period** |  | **Total Earnings for April 16-30 Pay Period** |  |
| **Estes, Bailey** | **5,560** | **820** |  | **940** |  |
| **Garcia, Jenna** | **7,040** | **1,360** |  | **1,480** |  |
| **Bentley, Don** | **5,630** | **860** |  | **920** |  |
| **Grace, Pat** | **6,920** | **1,140** |  | **1,140** |  |
| **Donavan, Joe** | **5,100** | **800** |  | **1,000** |  |
|  |  | **4,980** |  | **5,480** |  |

**For questions 41 through 46, write the correct amount on your answer sheet.**

41. What is the amount of taxable FUTA earnings for all employees for the April 1-15

pay period?

42. What is the amount of taxable SUTA earnings for all employees for the April 1-15

pay period?

43. What is the amount of taxable FUTA earnings for all employees for the April 16-30

pay period?

44. What is the amount of taxable SUTA earnings for all employees for the April 16-30

pay period?

\*45. What is the total employer’s payroll tax expense for all employees for the April 16-30

pay period?

**Consider the following question independently from the above employees. After the pay period ended December 15, 2018, an employee has accumulated earnings of $125,350. For the pay period December 16-31, the employee earned $5,450.**

\*46. What is the total employer’s payroll tax expense for this one employee for the

year 2018?

**Group 8**

**For questions 47 through 53, write the identifying letter of the best choice on your answer sheet.**

47. Which of the following is not an intangible asset?

A. patents B. copyrights C. oxygen tank D. trademarks

48. A patent

A. gets its value from the rights it gives to the patent holder

B. does not have physical substance

C. is usually granted for 20 years

D. only B and C

E. A, B, and C are correct

49. Which of the following is used to account for the part of the cost of a patent that has

not yet been amortized?

A. Accumulated Amortization—Patent

B. Patent and the contra-patent account

C. the asset account called Patent

D. Amortization Expense

\*50. Best Manufacturing purchased a patent from Superior Manufacturing on January 1,

2017 for $40,000. Superior created the patent on January 1, 2005 when the patent

was granted for 20 years. Due to anticipated decline in the technology, Best

expects the patent to be useful for only five years. After that time, there is a strong

likelihood that other new technology will exist that will reduce this patent’s value to

zero. What is the annual amount of Best’s amortization of this patent?

A. $2,000 B. $3,333 C. $5,000 D. $8,000

51. In which section of a financial statement would an intangible asset typically appear?

A. on the Balance Sheet in the Current Assets section

B. on the Balance Sheet in the Plant Assets section

C. on the Statement of Changes in Owner’s Equity

D. on the Balance Sheet, usually the last category of assets

52. Amortization Expense appears on the

A. Income Statement as an operating revenue

B. Income Statement as an operating expense

C. Income Statement as a selling expense

D. Balance Sheet as a contra account to the respective intangible asset

53. David was not sure how to calculate amortization on a patent he purchased from

Sysco Inc. for $120,000 on January 1, 2017, so he gathered these facts. Sysco’s

original cost to create the technology was $250,000 when the patent was granted

for 20 years. Sysco held the patent for 14 years until David bought it. David

estimates the patent to be useful for 10 years. The correct amount of annual

amortization expense is:

A. $6,000 B. $7,500 C. $12,000 D. $12,500 E. $20,000

**Group 9**

**Consider the following information about a plant asset for questions 54 through 56, and write the correct amount on your on your answer sheet.**

|  |  |
| --- | --- |
| **Original Cost** | **$73,600** |
| **Disposal Value** | **$4,300** |
| **Date Purchased** | **May 3, 2014** |
| **Estimated Useful Life** | **7 years** |
| **Depreciation Method** | **Straight-Line** |

54. Assume the asset sold for $34,500 on February 28, 2018. What is the amount of

loss on the sale of the asset?

\*55. Consider this question independently and continue to use the information in the

table above. Now assume the asset sold for $20,500 on September 30, 2019.

What is the amount of gain on the sale of the asset?

\*56. Consider this question independently and continue to use the information in the

table above. Now assume the asset was sold on June 3, 2020. In order to have

no gain or loss on the sale of the asset, what would the sales price need to be in

order to achieve this?

**Group 10**

**For items 57 through 70, write on your answer sheet “true” if the statement is true; write “false” if the statement is false.**

57. The special journal used to record the purchase of merchandise on account is called

the Merchandise Journal.

58. Liability, revenue, and capital accounts all have normal credit balances.

59. The Petty Cash account is debited when the fund is initially established and it is also

debited when the fund is subsequently increased.

60. If a retail merchandising business that uses the periodic inventory system does not

use an account called Transportation In, the freight costs of merchandise purchases

are recorded as debits to the Purchases account, and the income statement will not have a line item called Cost of Merchandise Sold.

61. If the net income of a partnership is $50,000, and it is to be shared equally, each

partner’s capital account would be increased by $50,000.

62. If the terms of sale are FOB shipping, the buyer pays the shipping charge from the

supplier’s shipping point.

63. When applying the lower-of-cost-or-market rule, inventory as reported on the

balance sheet is never more, but may be less, than the actual cost of the

inventory.

64. When the Petty Cash Report indicates that cash was lost in the process of making

payments from the fund, this loss should be recorded in the account called Loss on

Petty Cash.

65. The journal entries that update the general ledger accounts at the end of a period

are called adjusting entries.

**Group 10 continued**

66. The Direct Write-Off method of accounting for bad debts is a type of allowance

method.

67. The use of pre-numbered documents is a preventive internal control that attempts

to ensure that all documents are recorded.

68. A check that a bank refuses to pay is called a dishonored check, and one reason a

bank will dishonor a check is when the signature of the person who signed the

check does not match the one on the signature card at the bank.

69. The amount added to the cost of merchandise to establish the selling price is

called write-up.

70. If purchases discounts taken were omitted from the income statement, net income

for the period would be understated.

**Group 11**

**Refer to Table 1 on page 9. For questions 71 through 80, write the correct amount on your answer sheet.**

On the Burleson Co.’s Adjusted Trial Balance (before CPA audit), what is their calculated amount of:

71. Bad Debt Expense

72. Supplies Expense

\*73. Gross Profit

After the CPA’s adjustments, what is the correct amount for each of the following:

\*74. Merchandise Inventory on January 1, 2017

\*75. Cost of Merchandise Available for Sale

\*76. Cost of Merchandise Sold

\*77. Gross Profit

\*78. Bad Debt Expense

\*79. Supplies Expense

\*\*80. Net Income

**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 71 through 80)**

**Burleson Co. hired a CPA to perform an audit of their accounts for the fiscal year ended December 31, 2017. The accounting staff of Burleson Co. prepared the following adjusted trial balance for the CPA. All accounts are listed and have normal balances. Expenses are combined for simplicity. It is company policy to adjust and close the accounts only at the end of the fiscal year. To estimate uncollectible accounts receivable, the company consistently uses the percent of accounts receivable method. The company uses the periodic inventory system.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Cash in Bank** | **6,590** |  | **Accounts Payable** | **4,270** |
| **Accounts Receivable** | **20,460** |  | **Jack Burleson, Capital** | **53,770** |
| **Allow for Uncollectible Accounts** | **1,450** |  | **Income Summary** | **3,060 CR** |
| **Supplies** | **3,950** |  | **Sales** | **96,210** |
| **Merchandise Inventory** | **21,490** |  | **Purchases** | **60,510** |
| **Equipment** | **15,000** |  | **All Expenses** | **30,760** |

**The January 1, 2017 balance in Allowance for Uncollectible Accounts was a credit of $200. No receivable accounts were written off in the year 2017. The Burleson Co. accountant prepared a work sheet and in the Trial Balance debit column on the line for Supplies is $6,250. None of the supplies were returned to vendors.**

**The CPA confirmed the following: 1) the balance in the Cash in Bank account agrees to the bank reconciliation. 2) The December 31, 2017 physical inventories were performed and certified by an independent inventory consultant. These reports indicate: Supplies $3,950 and Merchandise Inventory $21,490**

**The CPA found and corrected the following errors:**

* **a customer account in the amount of $600 that was written off and recorded correctly in a prior year was unexpectedly collected in 2017. The new Burleson Co. bookkeeper debited Cash and credited Sales. The CPA found and corrected this error and then confirmed that the Aging of Accounts Receivable report was prepared correctly indicating $1,450 estimated to be uncollectible.**
* **when analyzing the paid invoice documents and tracing them to the general ledger accounts, an invoice for the purchase of supplies in the amount of $3,500 was debited to the Purchases account. The CPA made an entry to correct this.**