**UIL Accounting**

**Regional 2019-R**

**Group 1**

**Colgate Company is a sole proprietorship and merchandising business. For items 1 through 16, indicate whether each item is:**

|  |  |
| --- | --- |
| **A** | **a current asset** |
| **B** | **a plant asset** |
| **C** | **a contra asset** |
| **D** | **an intangible asset** |
| **E** | **not an asset** |

**Write the correct identifying letter on your answer sheet.**

1. Allowance for Uncollectible Accounts9. Accounts Payable

2. Copyrights 10. Buildings

3. Land 11. Delivery Equipment

4. Merchandise Inventory 12. Patents

5. Amortization 13. Income Summary

6. Petty Cash 14. Transportation In

7. Accumulated Depreciation—Equipment 15. Supplies

8. Office Equipment 16. Prepaid Insurance

**Group 2**

**Consider the following information about a plant asset for questions 17 through 19, and write the correct amounts on your answer sheet. The company has a calendar year end.**

|  |  |
| --- | --- |
| **Original Cost** | **$75,000** |
| **Disposal Value** | **$6,000** |
| **Date Purchased** | **01-01-15** |
| **Estimated Useful Life** | **5 years** |
| **Depreciation Method** | **?** |
| **Accumulated Depreciation as of 12-31-17** | **58,800** |
| **Asset Sold Date** | **12-31-18** |
| **Asset Sold for** | **$10,000** |

17. What is the amount of depreciation expense for the year 2018?

\*18. What is the amount of gain or loss on the sale of the asset?

\*19. For this question only, consider that the asset was not sold. What is the correct

amount of depreciation expense for the year 2019?

**Group 3**

**Benton Company, located in Fort Worth, Texas manufactures valves for pipelines. Benton purchased a new machine on March 2, 2018 for $330,000.**

**Even though the machine was assembled in Fort Smith, Arkansas, Benton was required by the state of Texas to pay Texas sales and use tax of $20,625 because the Arkansas company also has operations in Texas.**

**Benton was required to pay $6,900 to have the machine transported to Texas.**

**Upon arrival a specialized crew had to install the new machine at a cost of $13,475. The crew spent several days testing and calibrating the machine. It was fully operational and produced the first usable valve on May 1, 2018.**

**The machine’s technology is actually two years old, and the market value in 2018 was $360,000.**

**The property tax assessed value is $350,000.**

**Benton estimates the useful life of the asset to be 5 years. The estimated value of the machine at its replacement time is determined by Benton to be $50,000.**

**Benton uses the straight-line method for depreciation of machinery. It is company policy to prepare adjusting entries only at the end of the fiscal year, which is December 31.**

**For questions 20 through 28, write the correct amount or year on your answer sheet.**

20. What is the book value of the machine when it was first placed into operation?

21. What is the estimated amount to be depreciated on this machine?

22. What is the estimated monthly depreciation expense?

23. What amount should be debited to depreciation expense in 2018?

\*24. What is the book value of the machine on 01-01-21?

25. What is the balance of Accumulated Depreciation (for this machine) on 01-01-22?

26. The machine will have an adjusting entry for depreciation expense in years 2018

through what year?

\*27. What is the amount of the adjusting entry for depreciation for this machine in the

final year?

\*28. If the machine had been purchased earlier and placed into operation on 01-01-18,

and the double declining-balance method was used instead of the straight line

method, what would be the amount of the adjusting entry for depreciation for the

year 2020?

**Group 4**

**Write the identifying letter of the following account title that best fulfills each accounting entry in items 29 through 36.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **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 29 through 32 assuming the company policy is to use the periodic inventory system.**

|  |  |  |
| --- | --- | --- |
|  | **Debit** | **Credit** |
| Purchased merchandise for resale on account | #29 | #30 |
| Sold merchandise to a customer on account | #31 | #32 |

**Answer items 33 through 36 assuming the company policy is to use the perpetual inventory system.**

|  |  |  |
| --- | --- | --- |
|  | **Debit** | **Credit** |
| Purchased merchandise for resale on account | #33 | XXX |
|  |  |  |
| Sold merchandise to a customer on account (selling price) | XXX | #34 |
| Same sales entry as preceding (cost portion of transaction) | \*#35 | \*#36 |

**Group 5**

**One of the items sold at Webster Equipment Company is a laser level. The following shows the beginning inventory and purchases information for the year.**

**During the year 80 devices were sold for $130 each and 15 devices were sold for $140 each. The company uses a periodic inventory system.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Number of**  **Units** | **Cost per Unit** | **Extended**  **Amount** |
| **1-1-18** | **Beginning Inventory** | **32** | **51.90** | **1,660.80** |
| **Jan** | **Purchase** | **10** | **52.00** | **520.00** |
| **Mar** | **Purchase** | **5** | **52.82** | **264.10** |
| **Apr** | **Purchase** | **15** | **53.70** | **805.50** |
| **May** | **Purchase** | **5** | **54.00** | **270.00** |
| **June** | **Purchase** | **8** | **55.00** | **440.00** |
| **July** | **Purchase** | **12** | **55.00** | **660.00** |
| **Nov** | **Purchase** | **36** | **55.40** | **1,994.40** |
| **Dec** | **Purchase** | **17** | **55.60** | **945.20** |
|  |  | **140** |  | **7,560.00** |

**For questions 37 through 39, write the correct amount on your answer sheet.**

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

is used?

\*38. What is the amount of gross profit for the year if the LIFO inventory costing method

is used?

39. What is the amount of gross profit for the year if the weighted-average inventory

costing method is used?

**Group 6**

**A partnership was formed and began operations on January 10, 2018. Each of the partners contributed either cash or other assets to the partnership.**

**The following is a summary from the adjusted trial balance columns of the worksheet for the year ended December 31, 2018, which is the fiscal year end.**

|  |  |  |
| --- | --- | --- |
|  | **Debit** | **Credit** |
| **Assets** | **186,800** |  |
| **Liabilities** |  | **30,400** |
| **Maya Pravesh, Capital** |  | **54,000** |
| **Maya Pravesh, Drawing** | **9,000** |  |
| **Dan Feldman, Capital** |  | **36,000** |
| **Dan Feldman, Drawing** | **6,000** |  |
| **Mina Okanda, Capital** |  | **30,000** |
| **Mina Okanda, Drawing** | **5,000** |  |
| **Revenue** |  | **197,360** |
| **Expenses** | **140,960** |  |

**For questions 40 through 42, write the correct amount on your answer sheet. Consider the facts in each question independently from the other questions.**

40. Consider that the partnership agreement states that profits and losses shall be

divided equally among the partners. What is the balance in the capital account of

Maya Pravesh after all closing entries have been posted?

\*41. Consider that the partnership agreement states that profits and losses shall be

divided on the basis of the capital contributed by each partner. What is the balance

in the capital account of Dan Feldman after all closing entries have been posted?

\*42. Consider that the partnership agreement states that profits and losses shall be

divided based on the time spent by each partner working in the business. The time

worked by Pravesh, Feldman, and Okanda is expressed as 4:3:1. What is the

balance in the capital account of Mina Okanda after all closing entries have been

posted?

**Group 7**

**On April 1, 2019 Cindy Baker, owner of Cindy’s Bakery, received the monthly bank statement from Allied Bank dated March 31, 2019.**

**Allied bank is open Monday through Friday and closes its lobby doors each day at 3 p.m. but offers extended banking with its drive-through lanes until 5:00 p.m.**

**It is Cindy’s company policy to record any necessary journal entries and to update the checkbook balance after the bank reconciliation is completed.**

**Cindy compared the company’s checkbook records with the bank statement and found the following:**

* The March 2019 bank statement shows a beginning balance of $5,229.18, total deposits of $14,201.68, total checks of $15,877.93, separate line items for the Stan Wayman returned check and bank handling fee (see details in the next paragraph), and a separate line item of $16.50 for the March bank service charge (that is calculated based on activity in the account, which is different each month).
* A check from Stan Wayman for $130 that was deposited in the business bank account on Thursday, March 28 was returned by the bank on Friday, March 29. On this same day, the bank charged Cindy’s account with a $25 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 $1,809 was made on March 29 at 4:35 p.m. but does not appear on the March bank statement.
* Four checks written in March do not appear on the March bank statement as cleared:

Check #1840 for $89.12 Check #1843 for $206.44

Check #1842 for $674.19 Check #1844 for $139.56

**For questions 43 through 45, write the correct amount on your answer sheet.**

43. What was the ending balance on the bank statement dated March 31, 2019?

\*44. What is the reconciled (adjusted) bank balance on March 31, 2019?

45. What was the balance in the checkbook immediately before the bank reconciliation

was prepared?

**Group 8**

**Caldwell Company reported the following financial data for three years.**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2016** | **2017** | **2018** |
| **Net Sales** | **93,800** | **94,200** | **96,800** |
| **Beginning Inventory** | **21,250** | **27,260** | **21,900** |
| **Net Purchases** | **57,790** | **56,518** | **54,376** |
| **Cost of Merch. Available for Sale** | **79,040** | **83,778** | **76,276** |
| **Ending Inventory** | **27,260** | **21,900** | **22,900** |
| **Cost of Merch. Sold** | **51,780** | **61,878** | **53,376** |
| **Gross Profit** | **42,020** | **32,322** | **43,424** |

**Management’s review of the above reporting (specifically the 2017 drop in gross profit percentage) caused them to question the accuracy of the data. This was based on other business indicators that revealed more consistent operating results over the three years. Therefore, management directed staff to verify the accuracy of the inventory costing computations.**

**In January 2019, the inventory records used to prepare the above income statement information were reviewed. The inventory costing computations disclosed that the following mathematical errors had been made:**

|  |  |
| --- | --- |
| **Year:** | **Error in Determining**  **Ending Inventory:** |
| **2016** | **overstated by $4,500** |
| **2017** | **understated by $1,800** |
| **2018** | **verified correct** |

**Now consider that the inventory errors as well as the income statement presentation for all three years have been corrected. On your answer sheet for questions 46 through 48, write the correct amount of gross profit for each year.**

46. Year 2016

\*47. Year 2017

\*48. Year 2018

**For question #49, write the correct percentage on your answer sheet. If it is necessary, round the percentage to the nearest tenth.**

49. What is the correct gross profit percentage for the year 2018?

**Group 9**

**Refer to Table 1 on page 9. Lacy Moore, a sole proprietor, uses the following policy when closing the temporary accounts at the end of the fiscal year:**

1. **Close all revenue and contra-purchases accounts in one combined entry.**
2. **Close all expenses, contra-sales accounts, and any cost of merchandise accounts that have debit balances in one combined entry.**
3. **Close the Income Summary account.**
4. **Close the owner’s withdrawals account.**

**In the T-accounts, Blue and yellow (in random order) represent your choices for the closing steps of one and two referenced above. Red and brown are the choices that represent closing step #3. Purple represents closing step #4. (You must decide which color and color placement matches up to steps 1 through 4).**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Lacy Moore, Capital** | |  |  |  | **Income Summary** | |
|  | \_\_\_?\_\_\_ |  | 01-01-18 |  |  |  |
|  | 5,000 |  | activity  during 2018 | 12-31-18   adjusting entry |  |  |
| \_red\_ | \_\_brown\_\_ |  | 12-31-18  closing entries | 12-31-18   closing entries | \_\_\_blue\_\_ | \_\_yellow\_\_ |
| \_purple\_ | \_\_purple\_\_ |  |  |  |
|  |  |  |  |  |  |  |
|  | \_\_green\_\_ |  | 12-31-18  balance after closing entries |  |  |  |

**For questions 50 through 56 write the identifying letter of the best response on your answer sheet.**

50. What is the balance in the capital account after all adjusting entries have been

posted but before any closing entries have been posted?

A. $15,202 B. $20,200 C. $20,202 D. $21,690 E. $24,550 F. $25,202

51. The amount of “blue” in the Income Summary account is

A. $35,788 B. $103,358 C. $106,551 D. $106,583 E. $108,436

52. The amount of “yellow” in the Income Summary account is

A. $111,025 B. $112,365 C. $112,878 D. $114,218 E. $116,071

53. The amount of “brown” in the capital account is

A. zero B. $1,249 C. $7,635 D. $7,667 E. $9,488

54. The amount of “red” in the capital account is

A. zero B. $1,249 C. $7,635 D. $7,667 E. $9,488

55. The amount of “purple” in the capital account is

A. zero B. $8,000 C. $15,000 D. $20,202 E. $28,202

\*56. The amount of “green” in the capital account is

A. $5,000 B. $15,202 C. $18,714 D. $20,202 E. $21,690 F. $23,120

**Group 10**

**Refer to Table 2 on page 10 for all questions in this group. For questions 57 through 61, write the correct amount on your answer sheet.**

What was the Book Value of Accounts Receivable on the following dates…

57. January 1, 2017 58. January 1, 2018 \*59. January 1, 2019

What is the amount of Bad Debt Expense for…

60. the year 2017 \*61. the year 2018

**For question #62, write the correct percentage on your answer sheet. If it is necessary, round the percentage to the nearest tenth.**

62. What percentage was used to estimate Bad Debt Expense for the year 2016?

**For questions 63 through 68, indicate the account(s) debited or credited for the selected transactions (as identified in items A through H in Table 2) using the following chart of accounts.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 105 | Cash in Bank |  | 405 | Sales |
| 120 | Accounts Receivable |  | 560 | Bad Debt Expense |
| 125 | Allowance for Uncollectible Accounts |  |  |  |

|  |  |  |
| --- | --- | --- |
| **Transaction from Table 2** | **Debit** | **Credit** |
| B | 63. | 64. |
| D | 65. | 66. |
| F | 67. | 68. |

**Group 11**

**Refer to the data in Table 3 on pages 11 and 12. Answer questions 69 through 80 by writing the correct amount on your answer sheet.**

**Answer each of the following questions regarding the correctly completed financial statements on page 12.**

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

70. What is the book value of Accounts Receivable on the balance sheet dated

12-31-18?

71. What is the book value of the equipment on the balance sheet dated 12-31-18?

\*72. What is the amount of purchases of merchandise?

73. What is the amount of Depreciation Expense?

1. What is the amount of Insurance Expense?
2. What is the amount of gross sales?
3. What is the amount of Supplies Expense?

77. What is the amount of Bad Debt Expense?

\*78. What is the amount of Total Assets on the balance sheet dated 12-31-18?

\*79. What is the amount of net income or net loss for the year ended 12-31-18?

\*80. What is the amount of capital on the Post-Closing Trial Balance for 12-31-18?

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

***Table 1***

**(for questions 50 through 56)**

**The following is taken from the work sheet (for the twelve months ending December 31, 2018) from the Income Statement and Balance Sheet columns.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Account Title** | **Amount** |  | **Account Title** | **Amount** |
| Cash in Bank | 3,240 |  | Sales | 111,025 |
| Accounts Receivable | 860 |  | Sales Returns & Allow. | 3,225 |
| Prepaid Insurance | 2,200 |  | Purchases | 67,570 |
| Office Supplies | 380 |  | Purchases Returns | 3,193 |
| Office Equipment | 4,200 |  | Insurance Expense | 3,180 |
| Merchandise Inventory | 12,240 |  | Rent Expense | 5,400 |
| Accounts Payable | 1,430 |  | Utilities Expense | 2,904 |
| Lacy Moore, Capital | 20,202 |  | Office Supplies Expense | 2,516 |
| Lacy Moore, Drawing | 8,000 |  | Salary Expense | 20,000 |
| Income Summary, credit | 1,853 |  | Payroll Tax Expense | 1,788 |

***Table 2***

**(for questions 57 through 68)**

**Harris Company began operations on January 15, 2016. The company prepares adjusting and closing entries only at the end of the fiscal year, which is December 31.**

**On December 31, 2016, the company made an adjusting entry to estimate bad debt expense. The company will consistently use the Aging of Accounts Receivable method. The company management will review the aging report annually and adjust the percentage as needed for fair presentation in the financial statements.**

**On January 1, 2017 (before any 2017 transactions), the general ledger included the following:**

|  |  |  |
| --- | --- | --- |
|  | **Debit** | **Credit** |
| Accounts Receivable | 12,000 |  |
| Allowance for Uncollectible Accounts |  | 180 |

**During the next two years the company completed many transactions (summarized below in items A through H) that involved credit sales, accounts receivable collections, and bad debts.**

**2017**

**A.** sold merchandise on account $73,460

**B.** wrote off uncollectible accounts receivable $160

**C.** received $68,400 from charge customers in payment on their accounts

**D.** December 31 adjusting entry using the Aging of Accounts Receivable method

based on the estimate that 2% of the total outstanding Accounts Receivable

at year-end will become uncollectible

**2018**

**E.** sold merchandise on account $98,610

**F.** wrote off uncollectible accounts receivable $450

**G.** received $93,760 from charge customers in payment on their accounts

**H.** December 31 adjusting entry using the Aging of Accounts Receivable method

based on the estimate that 3% of the total outstanding Accounts Receivable

at year-end will become uncollectible

*Table 3*

(for questions 69 through 80)

The accountant had prepared on a spreadsheet program the complete and accurate financial statements as of December 31, 2018. A power surge caused some of the data to be lost. All the amounts remaining are correct.

Later when the accountant printed the financial statements, he was faced with the task of replacing the missing data. The financial statements are found on

page 12.

Additional Facts:

1. Equipment consists of one asset bought on 5-1-15, with a salvage value of

$3,500, and an estimated useful life of 7 years. The straight line method is

used.

1. On 01-01-18 the account Allowance for Uncollectible Accounts had a credit balance of $2,290. In September 2018 a customer’s account in the amount of $1,800 was written off. The company uses the aging of accounts receivable method to estimate its bad debts expense. The aging on 12-31-18 indicates that $2,475 is estimated to be uncollectible.
2. In the trial balance column of the work sheet for the year ended 12-31-18

Prepaid Insurance had a normal balance of $7,540 and Supplies had a normal

balance of $8,130.

1. The gross profit percentage is 38% of net sales.

***Table 3 continued\_\_\_* (for questions 69 through 80)**

**Hunter’s Haven**

**Income Statement**

**For the Year Ended December 31, 2018**

|  |  |  |  |
| --- | --- | --- | --- |
| **Revenue:** |  |  |  |
| Sales |  |  |  |
| Sales Returns & Allowances |  | 2,478 |  |
| Sales Discounts |  | 3,280 |  |
| Net Sales |  |  | 96,500 |
| **Cost of Merchandise Sold:** |  |  |  |
| Merchandise Inventory on 01-01-18 |  | 15,380 |  |
| Purchases |  |  |  |
| Transportation In | 4,930 |  |  |
| Cost of Delivered Merchandise |  |  |  |
| Purchases Returns & Allowances | 1,780 |  |  |
| Purchases Discounts | 4,610 |  |  |
| Net Purchases |  |  |  |
| Cost of Merchandise Available for Sale |  |  |  |
| Merchandise Inventory on 12-31-18 |  |  |  |
| Cost of Merchandise Sold |  |  |  |
| Gross Profit on Sales |  |  |  |
| **Expenses:** |  |  |  |
| Rent Expense |  | 5,400 |  |
| Insurance Expense |  |  |  |
| Supplies Expense |  |  |  |
| Utilities Expense |  | 2,620 |  |
| Bad Debts Expense |  |  |  |
| Depreciation Expense |  |  |  |
| Total Expenses |  |  |  |
| **Net Income (Loss)** |  |  |  |

**Hunter’s Haven**

**Balance Sheet**

**December 31, 2018**

|  |  |  |
| --- | --- | --- |
| **Assets** |  |  |
| Cash in Bank |  | 10,330 |
| Accounts Receivable | 21,945 |  |
| Allowance for Uncollectible Accounts |  |  |
| Merchandise Inventory |  | 16,200 |
| Supplies |  | 3,750 |
| Prepaid Insurance |  | 1,900 |
| Equipment | 26,180 |  |
| Accumulated Depreciation—Equipment |  |  |
| Total Assets |  |  |
| **Liabilities** |  |  |
| Accounts Payable |  | 2,410 |
| **Capital** |  |  |
| Bubba Wagner, Capital, January 1, 2018 | 62,135 |  |
| Plus (Less) Net Income (Loss) |  |  |
| Less Owner Withdrawals | 12,000 |  |
| Bubba Wagner, Capital, December 31, 2018 |  |  |
| Total Liabilities and Capital |  |  |