**UIL Accounting**

**State 2019-S**

**Group 1**

**For questions 1 through 11, 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. Transportation In 7. Unearned Revenue

2. Gain on Plant Assets 8. Allowance for Uncollectible Accounts

3. Interest Receivable 9. Retained Earnings

4. Dividends—Common 10. Interest Income

5. Preferred Stock 11. Paid-in Capital in Excess of Par--Common

6. Sales Discounts

**Group 2**

**One of the items sold at Betty’s Boutique is a scarf. The following shows the beginning inventory and purchases information for the year.**

**During the year 42 scarves were sold for $16 each and 49 scarves 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** | **Extended Amount** |
| **1-1-18** | **Beginning Inventory** | **5** | **6.00** | **30** |
| **Jan** | **Purchase** | **10** | **6.10** | **61** |
| **Feb** | **Purchase** | **5** | **6.20** | **31** |
| **Mar** | **Purchase** | **10** | **6.40** | **64** |
| **Apr** | **Purchase** | **20** | **6.00** | **120** |
| **May** | **Purchase** | **20** | **5.00** | **100** |
| **July** | **Purchase** | **15** | **6.00** | **90** |
| **Aug** | **Purchase** | **20** | **5.00** | **100** |
| **Nov** | **Purchase** | **10** | **6.40** | **64** |
| **Dec** | **Purchase** | **10** | **5.00** | **50** |
|  |  | **125** |  | **710** |

**For questions 12 through 14, write the correct amount on your answer sheet.**

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

costing is used?

13. What is the amount of gross profit for the year if the LIFO method of inventory

costing is used?

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

inventory costing is used?

**Group 3**

**On January 3, 2018 Daisy Inc. was organized and authorized to issue 25,000 shares of $15 par common stock and 800 shares of $100 par, preferred 6% stock.**

**The company prepares adjusting and closing entries only at the fiscal year end which is December 31. The company prepares a Balance Sheet, Income Statement, and Statement of Stockholders’ Equity annually.**

**In January 8,000 shares of common stock were issued at par, 3,500 shares of common stock were issued at $18, and 500 shares of preferred stock were issued at $100.**

**The company earned $89,225 in net income in 2018. On December 15, 2018 the board of directors declared a total cash dividend of $65,445 for both preferred and common stock for the shareholders of record on December 31, 2018 to be paid by March 15, 2019.**

**For questions 15 through 19 write the correct amount or number on your answer sheet.**

\*15. Of the total dividends declared, what amount per share is available to the common

stockholders?

16. After closing entries, how much of the net income is retained by the corporation?

\*17. What amount should be reported on the December 31, 2018 balance sheet on the

single equity line called Stockholders’ Equity?

18. How many shares of common stock are unissued as of December 31, 2018?

19. What is the balance of Paid-in Capital in Excess of Par on December 31, 2018

after closing entries?

**Group 4**

**Match each situation in items 20 through 26 with the best term using the following code:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Terms** | | | |
| **A** | Accrued Revenue |  | **C** | Deferred Expense |
| **B** | Accrued Expense |  | **D** | Deferred Revenue |

20. an expense not yet incurred; paid in advance

21. owes property taxes assessed; but has not yet recorded or paid the taxes

22. a revenue not yet earned; collected in advance

23. office supplies on hand and paid for; will be used next accounting period

24. rent not yet collected; already earned but not yet recorded

25. an expense is incurred; not yet paid or recorded

26. a revenue is earned; not yet recorded or collected

**Group 5**

**Use the following information for each of the two different cases presented below. Adjusting and closing entries are prepared only at the end of the fiscal year which is December 31. The following normal balances are provided on December 31 before any uncollectible accounts are written off this year and before adjusting entries are prepared.**

|  |  |
| --- | --- |
| **Accounts Receivable** | **42,875** |
| **Allowance for Uncollectible Accounts** | **3,725** |
| **Sales (includes cash & charge sales)** | **119,999** |
| **Sales Discounts** | **2,943** |
| **Sales Returns & Allowances** | **1,756** |
| **charge sales** | **40,800** |
| **Uncollectible Accounts Expense** | **0** |
|  |  |
| **Accounts Receivable—Debra Green must be written off on 12-31-18. The company has stopped trying to collect it after ten months.** | **1,970** |
| **The Aging of Accounts Receivable (after all accounts have been written off in 2018) indicates uncollectible accounts in the amount of:** | **3,925** |

**For questions 27 through 34, write the correct amount on your answer sheet.**

**First case: Answer questions 27 through 32 using the data above from the perspective of Twinkle Company, which uses the aging of accounts receivable method.**

27. What is the book value of Accounts Receivable before the Debra Green account is

written off and before adjusting entries are prepared?

28. What is the book value of Accounts Receivable after the Debra Green account is

written off and before adjusting entries are prepared?

29. What is the balance of Uncollectible Accounts Expense after the Debra Green

account is written off and before adjusting entries are prepared?

30. What is the balance of Allowance for Uncollectible Accounts after the Debra Green

account is written off and before adjusting entries are prepared?

31. What is the correct amount of the adjusting entry for uncollectible accounts

expense?

\*32. What is the book value of Accounts Receivable on the Balance Sheet dated

December 31, 2018?

**Second case: Answer questions 33 and 34 using the data at the top of this page from the perspective of Copper Company. Copper Company uses the percentage of net sales method, and historically that percentage has been 3%.**

33. What is the correct amount of the adjusting entry for uncollectible accounts

expense?

\*34. What is the book value of Accounts Receivable on the Balance Sheet dated

December 31, 2018?

**Group 6**

**The accountant asked the payroll clerk to assist her with the annual financial statement analysis. It is company policy to round ratios to the nearest hundredth of a percent.**

**The payroll clerk was very proficient in all aspects of human resource accounting, but he was very unsure of the accounts needed to make the various analysis computations. The following list is the information gathered by the clerk from the financial statements for the year ending December 31, 2018.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Amount |  |  | Amount | Due Date |
| Change Fund | 300 |  | Interest Payable | 68 | 3-15-19 |
| Cash in Bank | 2,290 |  | Accounts Payable | 3,157 | 1-31-19 |
| Land | 25,000 |  | Note Payable | 7,500 | 3-15-19 |
| Prepaid Insurance | 1,800 |  | Fed. Inc. Tax Pay. | 390 | 1-15-19 |
| Petty Cash | 200 |  | Dividends Payable | 1,000 | 2-15-19 |
| Merchandise Inventory | 9,850 |  | Sales Tax Payable | 760 | 1-20-19 |
| Office Supplies | 350 |  | Note Payable | 125,000 | 3-15-25 |
| Office Equipment | 4,260 |  | Fed. Corp. Inc. Tax Payable | 1,500 | 4-15-19 |
| Accounts Receivable | 29,210 |  | Note Payable | 10,000 | 3-20-20 |
| Buildings | 640,280 |  | Property Tax Payable | 800 | 1-31-19 |
|  |  |  | Salaries Payable | 825 | 1-18-19 |
|  |  |  | Common Stock | 90,000 | ? |
|  |  |  | Paid-In Capital in Excess Par | 12,000 | ? |

**For questions 35 through 37, write the identifying letter of the best response on your answer sheet.**

35. What is the correct amount of working capital?

A. $16,000 B. $18,000 C. $22,260 D. $28,000 E. $32,260 F. $90,000

36. The current ratio is \_\_\_?\_\_\_ to 1.

A. 1**.**69 B. 2 C. 2**.**13 D. 2**.**39 E. 2**.**75 F. 3**.**02

\*37. The quick ratio is \_\_\_?\_\_\_ to 1.

A. 0**.**17 B. 1**.**23 C. 1**.**61 D. 2 E. 2**.**13 F. 2**.**62

**Group 7**

Sunflower Corp has the following accounting policies and procedures:

* uses the accrual basis of accounting
* fiscal year end is September 30
* adjusting entries are prepared only at the fiscal year-end
* closing entries are prepared only at the fiscal year-end
* does not use reversing entries

**Sunflower Corp banks with First Secure Financial. This bank uses 360 days in promissory note calculations instead of 365 days. Banks refer to this as a banker’s year of 360 days. Round all computations to the nearest cent.**

**Use the following information to solve questions 38 through 42. Write the correct amount on your answer sheet.**

**On September 10, 2018 Sunflower Corp borrowed money from the First Secure Financial by signing a $75,600, 90-day non-interest-bearing note. The bank discounted the loan at a rate of 5%.**

38. What is the maturity value of the note?

39. What amount would be recorded in Discount on Notes Payable on 9-10-18?

40. What is the amount of the proceeds?

\*41. On September 30, 2018 an adjusting entry is required to record interest expense

for this note. What is the amount of the interest expense?

\*42. On October 1, 2018 before any transactions take place, what is the balance in the

contra liability account?

**Group 8**

**Refer to Table 1 on page 8. For questions 43 through 45, refer to the Schedule of Monthly Payments and write the correct amount on your answer sheet.**

43. What is the principal balance of the loan AFTER the October payment is made?

44. What is the correct amount of interest for the December payment?

\*45. What is the principal balance of the loan after the December payment is made?

**Continue to Refer to Table 1 on page 8. For questions 46 and 47, write the correct amount on your answer sheet.**

46. What is the book value of this truck on December 31, 2018 after all adjusting entries

have been posted?

\*47. Consider that this truck is sold by Pom, Inc. on December 31, 2022 for $10,000.

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

**Group 8 continued**

**Continue to Refer to Table 1 on page 8. For questions 48 and 49, write the identifying letter of the best response on your answer sheet.**

48. The loan on this truck is an example of

A. line of credit C. capital stock

B. bond payable D. long-term note payable

49. Which of the following statements is false?

A. Assets pledged to a creditor to guarantee repayment of a loan are called

collateral.

B. If Pom Inc is unable to repay the loan on the truck, the creditor can take the

truck and sell it to pay off the debt.

C. Banks earn income when borrowers repay the principal of the loan.

D. With each loan, the bank takes a risk that the borrower will not repay it.

E. Short-term notes typically finance revenue expenditures; whereas long-term

notes typically finance capital expenditures such as plant assets.

**Group 9**

**Refer to Table 2 on pages 9 and 10. For questions 50 through 62 consider only the business operations of the first year, 2017. Write the correct answer on your answer sheet. If necessary, round a percentage to the nearest tenth.**

**On the worksheet for the year ended December 31, 2017 in the Trial Balance columns, what is the correct balance for the following accounts?**

50. Cash in Bank 54. Accounts Payable

51. Merchandise Inventory 55. Common Stock

52. Prepaid Insurance 56. Retained Earnings

53. Accumulated Depreciation—Store Fixtures

**On the worksheet for the year ended December 31, 2017 in the Adjusted Trial Balance columns, what is the correct balance in the following accounts?**

57. Accounts Receivable 58. Depreciation Expense 59. Insurance Expense

**Continue to consider only the business operations of the first year, 2017. For questions 60 through 62 write the correct answer on your answer sheet.**

60. What is the gross profit percentage for the year 2017?

\*61. What is the net income for the year 2017?

\*62. After all closing entries dated 12-31-17 are journalized and posted, what is the

balance of Retained Earnings?

**Group 9 continued**

**Continue to Refer to Table 2. For questions 63 through 80 consider that all business transactions and adjusting journal entries for the second year, 2018, have been correctly journalized and posted. Write the correct amount on your answer sheet.**

**What are the following “missing balances” in the Adjusted Trial Balance given in Table 2 on page 10?**

\*63. Merchandise Inventory 69. Dividends

64. Prepaid Insurance \*\*70. Sales

\*65. Accumulated Depreciation—Store Fixtures 71. Salary Expense

66. Dividends Payable 72. Insurance Expense

67. Common Stock 73. Depreciation Expense

68. Retained Earnings

**On the Income Statement for the twelve months ended December 31, 2018, what is the correct amount of…**

74. Cost of Delivered Merchandise 76. Cost of merchandise Available for Sale

75. Net Purchases \*77. Net Income

**What was the balance of Retained Earnings…**

\*78. in the general ledger on January 1, 2018

\*79. on the work sheet for the year 2018 in the Trial Balance column

\*\*80. in the general ledger on January 1, 2019

**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 43 through 49)**

**Pom Inc. provides delivery services. Pom expanded business to include an additional route; therefore, management purchased an additional truck. On August 1, 2018 the company purchased a new truck that cost $49,500 with a down payment of $15,000 and the balance financed through a local bank. The bank’s schedule of monthly payments is shown below although coffee was spilled on the paper causing some amounts to be blurred. It is bank policy to round each interest calculation to the nearest cent.**

**Pom is required to make a monthly principal and interest payment that totals $1,049.56. The truck has an estimated salvage value of $3,000 and an estimated useful life of 5 years.**

**Pom prepares adjusting and closing entries only at the end of the fiscal year which is December 31 and uses the straight line method of depreciation.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Amount Borrowed**  **Term of Note in Months**  **Annual Interest Rate**  **Monthly Payment** | | | **$34,500**  **36**  **6%**  **$1,049.56** |  |  |
| **Payment**  **Number** | **Payable 1st**  **Day of** | **Beginning**  **Balance** | **Interest** | **Principal** | **Ending Balance** |
| 1 | September |  | 172.50 |  |  |
| 2 | October |  | 168.11 |  |  |
| 3 | November |  | 163.71 |  |  |
| 4 | December |  |  |  |  |

***Table 2***

**(for questions 50 through 80)**

***For-The-Birds* is a retail store that sells bird feeders, bird food and supplies for the avid bird watcher. The company prepares adjusting and closing entries only at the fiscal year-end, which is December 31. The company uses the periodic inventory system.**

**The first page of Table 2 gives you information about the year 2017. The next page of Table 2 gives you information about the year 2018.**

**Disregard federal income tax and sales taxes.**

**The company was organized as a closely held corporation on March 1, 2017. The par value of the stock is $20. After the initial shares were issued, no other shares were issued in 2017 or 2018. (See transaction 1 below)**

**The only plant assets owned by *For-The-Birds* are store fixtures purchased on March 1, 2017 for $10,260 with estimated salvage value of $960 to be depreciated using the straight-line method over 5 years. (See transaction 2 below)**

**All of the transactions for the year 2017 are summarized as follows:**

**1. Issued 1,500 shares of stock at par to Harold Benton**

**2. Store fixtures were purchased on account**

**3. A 12-month insurance policy covering store contents and liability was paid by**

**check on March 1 for $1,680**

**4. Sales on account were $2,430**

**5. Cash sales were $85,570**

**6. Received on account $1,570**

**7. Paid on account $7,250**

**8. Purchased merchandise inventory by check $81,450**

**9. Rent, salaries, payroll taxes and advertising were all paid by check during**

**2017 that totaled $22,230**

**10. Cash dividends of $2,500 were paid by check to Harold Benton on Dec 28.**

**11. All necessary adjusting entries were journalized and posted correctly on**

**12-31-17 including the recording of the physical merchandise inventory of**

**$26,890.**

***(Table 2 is continued on the next page.)***

***Table 2 Continued***

**This section of Table 2 provides information about the second year of business operations. The adjusted trial balance of *For-The-Birds* for the calendar year 2018 follows with some obvious missing balances. All accounts have normal balances including the missing balances.**

**The insurance policy (same coverages) renewed on March 1, 2018 and the premium was paid by check for $2,160.**

**The Income Statement for the twelve months ended December 31, 2018 includes vertical analysis. The base amount for vertical analysis is net sales. The vertical analysis reports Salary Expense is 8%. The gross profit percentage is 42%.**

**The 2018 dividends of $5 per share were declared on December 28, 2018 and will be paid on January 15, 2019.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Cash in Bank** | **16,120** |  | **Sales Discounts** | **1,240** |
| **Accounts Receivable** | **7,240** |  | **Sales Returns & Allow.** | **4,460** |
| **Merchandise Inventory** | **?** |  | **Purchases** | **65,046** |
| **Prepaid Insurance** | **?** |  | **Transportation In** | **3,376** |
| **Store Fixtures** | **?** |  | **Purchases Discounts** | **1,160** |
| **Accum Depr—Store Fixtures** | **?** |  | **Purchases Ret & Allow** | **2,768** |
| **Accounts Payable** | **7,288** |  | **Rent Expense** | **10,200** |
| **Dividends Payable** | **?** |  | **Salary Expense** | **?** |
| **Common Stock** | **?** |  | **Payroll Tax Expense** | **876** |
| **Retained Earnings** | **?** |  | **Advertising Expense** | **654** |
| **Dividends** | **?** |  | **Insurance Expense** | **?** |
| **Income Summary** | **4,870 CR** |  | **Depreciation Expense** | **?** |
| **Sales** | **?** |  |  |  |