

# FUNDAMENTAL ACCOUNTING (01)

## Regional—2006

Multiple Choice (30 @ 3 points each) \_\_\_\_\_ ( 90 pts.)

Account Identification (15 @ 3 points each) \_\_\_\_\_ ( 45 pts.)

### **Production Portion**

Problem 1: Financial Transactions \_\_\_\_\_ ( 75 pts.)

Problem 2: Job 1: Income Statement \_\_\_\_\_ ( 24 pts.)

Job 2: Balance Sheet \_\_\_\_\_ ( 30 pts.)

***TOTAL POINTS*** \_\_\_\_\_ ***(264)***

***Failure to adhere to any of the following rules will result in disqualification:***

- 1. Contestant must hand in this test booklet and all printouts. Failure to do so will result in disqualification.***
- 2. No equipment, supplies, or materials other than those specified for this event are allowed in the testing area. No previous BPA tests and/or sample tests or facsimile (handwritten, photocopied, or keyed) are allowed in the testing area.***
- 3. Electronic devices will be monitored according to ACT standards.***

No more than ten (10) minutes orientation

No more than 90 minutes test time

No more than ten (10) minutes wrap-up

Do **NOT** open test booklet until instructed to do so.

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*Workplace Skills Assessment Program* regional competition.

### **General Instructions**

You have been hired as a Financial Assistant and will be keeping the accounting records for Professional Business Associates, located at 5454 Cleveland Avenue, Columbus, Ohio 43231. Professional Business Associates provides accounting and other financial services for clients. You will complete jobs for Professional Business Associates' own accounting records, as well as for clients.

You will have 90 minutes to complete your work. The test is divided into two parts. The multiple choice and account identification portions should be completed first, and then the accounting problems may be completed in any order.

Your name and/or school name should **NOT** appear on any work you submit for grading. Write your contestant number in the lower left-hand corner of each page. Staple all pages in order before you turn in your test.

**Good luck!**

**MULTIPLE CHOICE QUESTIONS:**

Record the best answer for each of the following questions on the Scantron form provided.

1. The accounting principle stating that expenses are compared to revenues for the same period is called \_\_\_\_\_.
  - A. unit of measure
  - B. time period
  - C. matching
  - D. going concern
  
2. Accounts that are continuous from one accounting period to the next and their balances are carried forward are referred to as \_\_\_\_\_.
  - A. fiscally continuous
  - B. permanent accounts
  - C. signature accounts
  - D. temporary accounts
  
3. The balance sheet shows \_\_\_\_\_.
  - A. assets and expenses
  - B. revenue and owners' equity
  - C. results of operations over a period of time
  - D. the financial position on a specific date
  
4. Sheldon Corporation paid cash for repairs and debited Rent Expense instead of Repair Expense when entering the transaction. The correcting entry should contain:

<u>Debit</u>	<u>Credit</u>
A. Repair Expense	Cash
B. Rent Expense	Cash
C. Repair Expense	Rent Expense
D. Rent Expense	Repair Expense
  
5. Which of the following accounts **will not** appear on a post-closing trial balance?
  - A. Accounts Receivable
  - B. Cash
  - C. Owner's Capital
  - D. Owner's Withdrawals
  
6. If a business pays cash for a new computer, which of the following statements is true?
  - A. One asset increases and another liability decreases
  - B. One asset increases and owners' equity increases
  - C. One asset decreases and owner's equity decreases
  - D. One asset increases and another asset decreases

7. Each of the following is a business expense except for a payment for \_\_\_\_\_.
- A. advertising
  - B. rent
  - C. supplies
  - D. utility bills
8. The source document used when a customer makes a payment on his/her account owed would be a \_\_\_\_\_.
- A. check
  - B. memo
  - C. receipt
  - D. sales invoice
9. The process of transferring information from the journal to the individual general ledger accounts is called \_\_\_\_\_.
- A. journalizing
  - B. posting
  - C. transferring
  - D. closing

**Use these account balances to complete the next two questions:**

Cash in Bank	5,600.00	Sue Johnson, Capital	6,200.00
Accounts Receivable	?	Sue Johnson, Withdrawals	1,000.00
Office Supplies	400.00	Boarding Revenue	1,400.00
Office Furniture	1,500.00	Grooming Revenue	?
Accounts Payable	?	Salaries Expense	300.00
		Misc. Expense	200.00

10. If the balance in Accounts Payable is \$1,300.00 and Grooming Revenue is \$900.00, what is the correct balance for the Accounts Receivable account?
- A. 400.00
  - B. 500.00
  - C. 800.00
  - D. 900.00
11. Use the account balances above to answer this question.  
If the Accounts Receivable balance is \$900.00 and Grooming Revenue is \$400.00, what is the balance in the Accounts Payable account?
- A. 500.00
  - B. 800.00
  - C. 1,300.00
  - D. 1,900.00

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12. If owner's equity is \$29,500 and assets are \$39,600, liabilities are \_\_\_\_\_.
- A. 10,100.00
  - B. 29,500.00
  - C. 39,600.00
  - D. 69,100.00
13. When reconciling the bank statement, outstanding deposits are \_\_\_\_\_.
- A. added to the checkbook balance
  - B. added to the bank statement balance
  - C. subtracted from the checkbook balance
  - D. subtracted from the bank statement balance
14. A bank statement shows an NSF check that was deposited to the holder's account. The amount of that NSF check would be \_\_\_\_\_.
- A. added to the checkbook balance
  - B. added to the bank statement balance
  - C. subtracted from the checkbook balance
  - D. subtracted from the bank statement balance
15. At the end of a fiscal period when a balance sheet is prepared, from which document may we find the ending owner's capital balance?
- A. Worksheet
  - B. Income Statement
  - C. Trial Balance
  - D. Statement of Changes in Owner's Equity
16. The entry to replenish the petty cash fund requires \_\_\_\_\_.
- | <u>Debit</u>                | <u>Credit</u>   |
|-----------------------------|-----------------|
| A. Petty Cash Fund          | Cash            |
| B. Petty Cash Expense       | Petty Cash Fund |
| C. Various Expense Accounts | Petty Cash Fund |
| D. Various Expense Accounts | Cash            |
17. What two types of transactions increase owner's equity?
- A. investments and withdrawals
  - B. investments and revenue
  - C. investments and expenses
  - D. investments and equipment
18. When journalizing the employer's payroll taxes, what account is debited?
- A. Payroll Taxes Payable
  - B. Salaries Expense
  - C. Social Security Tax Payable
  - D. Payroll Tax Expense

19. If Mark works 44 hours in one week and his hourly rate of pay is \$6.75, and he receives time and one-half for all hours worked over 40 in one week, his gross earnings will be:
- A. \$270.00
  - B. \$276.00
  - C. \$297.00
  - D. \$310.50
20. Which of the following payroll taxes is **not** paid by an employee?
- A. Federal Income Tax
  - B. Social Security Tax
  - C. Medicare Tax
  - D. Federal Unemployment Tax
21. Which of the following accounts is closed at the end of a fiscal period?
- A. Membership Fees Income
  - B. Accounts Receivable
  - C. Delivery Equipment
  - D. Retained Earnings
22. Which of the following statements correctly describes temporary capital accounts?
- A. Their balances are continuous from accounting period to the next.
  - B. They start each accounting period with a zero balance.
  - C. At the end of the accounting period, their balances are transferred to the Cash account.
  - D. The dollar balances at the end of one period become the beginning dollar balances at the start of the next period.
23. During the month of January, Carol had the following transactions involving revenue and expenses:
- Paid \$ 100 phone bill
  - Provided services to clients for \$ 1,400 cash
  - Paid salaries of \$675 to employees
  - Paid \$1,150 for computer repairs
  - Provided services on account totaling \$2,200
- What was Carol's net income or net loss for the period?
- A. Net Income \$475
  - B. Net Loss of \$525
  - C. Net Income \$1,675
  - D. Net Income \$3,600
24. Within a chart of accounts, assets are listed in what order?
- A. Alphabetical order
  - B. In order of liquidity
  - C. In order of importance
  - D. In order of largest account balance to smallest account balance

25. A set of rules used by all accountants to provide a consistent form in which to provide financial information is referred to as \_\_\_\_\_.
- A. American CPA Rules
  - B. GAAP
  - C. Financial Accounting
  - D. Managerial Accounting
26. A net loss will appear \_\_\_\_\_.
- A. In the debit column of the Income Statement on the Worksheet
  - B. In the credit column of the Income Statement on the Worksheet
  - C. In the debit column of the Trial Balance
  - D. In the credit column of the Balance Sheet on the Worksheet
27. When posting to the general ledger accounts the information in the Post Ref. Column of each ledger account refers to \_\_\_\_\_.
- A. the source document of the transaction
  - B. the account number
  - C. the journal and page number
  - D. the date
28. If the owner of a company takes merchandise for personal use, what account is debited?
- A. Owner's Capital
  - B. Owner's Withdrawals
  - C. Purchases
  - D. Supplies
29. At the end of the fiscal period, the income summary account shows a debit balance of \$1,500. This income summary account balance will be closed out to which account?
- A. a debit to owner's capital
  - B. a credit to owner's capital
  - C. a debit to owner's withdrawals
  - D. a credit to owner's withdrawals
30. A double-lined ruling after a number means \_\_\_\_\_.
- A. To add the amounts above the ruling
  - B. To subtract the amounts above the ruling
  - C. That you know there are no errors in the information above the ruling
  - D. That the information balances

**ACCOUNT IDENTIFICATION**

For each account name below, indicate its classification, its normal balance side, and on which financial statement the account appears.

Classifications

**A = Asset**  
**L = Liability**  
**OE = Owners' Equity**  
**R = Revenue**  
**E = Expense**

Normal Balance Side

**DR = Debit**  
**CR = Credit**  
**N = Neither**

Financial Statement

**BS = Balance Sheet**  
**IS = Income Statement**

<b>Account Name</b>	<b>Classification</b>	<b>Normal Balance</b>	<b>Financial Statement</b>
Accounts Payable	_____	_____	_____
Bankcard Fees Expense	_____	_____	_____
Cash	_____	_____	_____
Withdrawals (Drawing)	_____	_____	_____
Accounts Receivable	_____	_____	_____
Payroll Tax Expense	_____	_____	_____
Income Summary	_____	_____	_____
Supplies	_____	_____	_____
FUTA Payable	_____	_____	_____
Owner's Capital	_____	_____	_____
Insurance Expense	_____	_____	_____
Delivery Equipment	_____	_____	_____
Sales	_____	_____	_____
Salaries Expense	_____	_____	_____
Medicare Tax Payable	_____	_____	_____



**Problem 1—Financial Transactions**

Using the chart of accounts below, journalize the following transactions for the month of January on Page 1 of the general journal that follows. Use the current year.

**JBL RENTALS  
Chart of Accounts**

Cash  
 Accounts Receivable—C & S Equipment  
 Accounts Receivable—Parker & Co.  
 Office Supplies  
 Office Equipment  
 Accounts Payable—Adventure Equipment Co.  
 Accounts Payable—RPS Computers, Inc.  
 Accounts Payable—North Supply, Inc.  
 Dale Kenton, Capital  
 Dale Kenton, Withdrawals  
 Equipment Rental Revenue  
 Advertising Expense  
 Misc. Expense  
 Rent Expense  
 Utilities Expense

January	1	Dale Kenton deposited \$15,000 in cash into the business checking account. Memo 1.
	5	Billed C & S Equipment, a customer, \$875 for equipment rental. Invoice 10.
	8	Received \$925 for equipment rental provided to Parker & Company. Receipt 5.
	10	Issued a check for \$800 to RPS Computers, Inc. as final payment for a computer previously purchased. Check 101.
	16	Bought \$175 of office supplies on credit from North Supply, Inc. Invoice P12.
	17	Issued a check for \$300 to put as a down payment on a new photocopier bought for \$1,000, from RPS Computers, agreeing to pay the balance later. Check 102 & Invoice P13.
	21	Paid by check the \$125 monthly heating bill. Check 103.
	23	Received \$550 in cash for services billed earlier to C & S Equipment. Receipt 6.
	25	Dale Kenton wrote a check for \$200 for personal use. Check 104.
	28	Issued a check to pay the \$800 rent for the month. Check 105.
	31	Recorded a bank service charge of \$15 after reconciling the bank statement. Memo 2.
	31	Paid \$200 for local advertising. Check 106.



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**Problem 2—Jobs 1 & 2**

**Income Statement and Balance Sheet**

Use the following account balances for RAK Designs to create an income statement and a balance sheet for the month ended December 31, 2005.

Use the forms that follow.

Ending account balances as of December 31, 2005:

Cash	\$ 7,500
Accounts Receivable	2,425
Office Equipment	6,200
Office Furniture	6,000
Computer Equipment	8,800
Accounts Payable	5,900
Richard Kindall, Capital	25,500
Richard Kindall, Withdrawals	3,400
Design Fees Revenue	7,500
Advertising Expense	1,100
Maintenance Expense	750
Misc. Expense	50
Rent Expense	1,500
Repair Expense	400
Utilities Expense	775







# FUNDAMENTAL ACCOUNTING (01)

## *KEY*

### Regional—2006

Multiple Choice (30 @ 3 points each) \_\_\_\_\_ ( 90 pts.)

Account Identification (15 @ 3 points each) \_\_\_\_\_ ( 45 pts.)

**Production Portion**

Problem 1: Financial Transactions \_\_\_\_\_ ( 75 pts.)

Problem 2: Job 1: Income Statement \_\_\_\_\_ ( 24 pts.)

Job 2: Balance Sheet \_\_\_\_\_ ( 30 pts.)

***TOTAL POINTS*** \_\_\_\_\_ **(264)**

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***Graders:***

Double-check and verify all scores!

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Your name and/or school name should **NOT** appear on any work you submit for grading. Write your contestant number in the lower left-hand corner of each page. Staple all pages in order before you turn in your test.

***Good luck!***



1. /A♣ /B♣ **C♣** /D♣ /E♣
2. /A♣ **B♣** /C♣ /D♣ /E♣
3. /A♣ /B♣ /C♣ **D♣** /E♣
4. /A♣ /B♣ **C♣** /D♣ /E♣
5. /A♣ /B♣ /C♣ **D♣** /E♣
6. /A♣ /B♣ /C♣ **D♣** /E♣
7. /A♣ /B♣ **C♣** /D♣ /E♣
8. /A♣ /B♣ **C♣** /D♣ /E♣
9. /A♣ **B♣** /C♣ /D♣ /E♣
10. /A♣ /B♣ **C♣** /D♣ /E♣
11. /A♣ /B♣ /C♣ **D♣** /E♣
12. **A♣** /B♣ /C♣ /D♣ /E♣
13. /A♣ **B♣** /C♣ /D♣ /E♣
14. /A♣ /B♣ **C♣** /D♣ /E♣
15. /A♣ /B♣ /C♣ **D♣** /E♣
16. /A♣ /B♣ /C♣ **D♣** /E♣
17. /A♣ **B♣** /C♣ /D♣ /E♣
18. /A♣ /B♣ /C♣ **D♣** /E♣
19. /A♣ /B♣ /C♣ **D♣** /E♣
20. /A♣ /B♣ /C♣ **D♣** /E♣
21. **A♣** /B♣ /C♣ /D♣ /E♣
22. /A♣ **B♣** /C♣ /D♣ /E♣
23. /A♣ /B♣ **C♣** /D♣ /E♣
24. /A♣ **B♣** /C♣ /D♣ /E♣
25. /A♣ **B♣** /C♣ /D♣ /E♣
26. /A♣ **B♣** /C♣ /D♣ /E♣
27. /A♣ /B♣ **C♣** /D♣ /E♣
28. /A♣ **B♣** /C♣ /D♣ /E♣
29. **A♣** /B♣ /C♣ /D♣ /E♣
30. /A♣ /B♣ /C♣ **D♣** /E♣





### ACCOUNT IDENTIFICATION

For each account name below, indicate its classification (**A = Asset, L = Liability, OE = Owners' Equity, R = Revenue, E = Expense**) by writing the correct capital letter(s) on the blank.

Next, indicate its normal balance side (**DR = Debit, CR = Credit, N = Neither**).

Finally, indicate on which financial statement the account appears (**BS = Balance Sheet, IS = Income Statement**).

Account Name	Classification	Normal Balance	Financial Statement
Accounts Payable	L	CR	BS
Bankcard Fees Expense	E	DR	IS
Cash	A	DR	BS
Drawing (Withdrawals)	OE	DR	BS
Accounts Receivable	A	DR	BS
Payroll Tax Expense		E	DR IS
Income Summary	OE	N	N
Supplies	A	DR	BS
FUTA Payable	L	CR	BS
Owner's Capital	OE	CR	BS
Insurance Expense	E	DR	IS
Delivery Equipment	A	DR	BS
Sales	R	CR	IS
Salaries Expense	E	DR	IS
Medicare Tax Payable	L	CR	BS

*Each answer is worth 1 point. Total = 45 points.*

**NOTE TO  
 GRADERS:**

Document numbers  
 maybe abbreviated.



**Problem 1: Financial Transactions**

1

GENERAL JOURNAL

Pts.	DATE		ACCOUNT TITLE	DOC. NO.	POST REF.	DEBIT					CREDIT					
	2006															
4	January	1	Cash	Memo 1		15	0	0	0	00						
2			Dale Kenton, Capital								15	0	0	0	00	
4		5	A/R--C & S Equipment	Inv 10			8	7	5	00						
2			Equipment Rental Revenue								8	7	5	00		
4		8	Cash	Rec 5			9	2	5	00						
2			Equipment Rental Revenue								9	2	5	00		
4		10	A/P—RPS Computers	Ck 101			8	0	0	00						
2			Cash								8	0	0	00		
4		16	Office Supplies	Inv P12			1	7	5	00						
2			A/P—North Supply Inc.								1	7	5	00		
4		17	Office Equipment	Ck 102		1	0	0	0	00						
3			A/P—RPS Computers	Inv P13							7	0	0	00		
2			Cash								3	0	0	00		
4		21	Utilities Expense	Ck 103			1	2	5	00						
2			Cash								1	2	5	00		
4		23	Cash	Rec 1			5	5	0	00						
2			A/R—C & S Equipment								5	5	0	00		
4		25	Dale Kenton, Withdrawals	Ck 104			2	0	0	00						
2			Cash								2	0	0	00		
4		28	Rent Expense	Ck 105			8	0	0	00						
2			Cash								8	0	0	00		
4		31	Misc. Expense	Memo 2				1	5	00						
2			Cash									1	5	00		
4		31	Advertising Expense	Ck 106			2	0	0	00						
2			Cash								2	0	0	00		
75	<b>Total Points</b>															



**Problem 2**  
**Job 1—Income Statement**

**Points**

<i>1</i>	RAK Designs
<i>1</i>	Income Statement
<i>1</i>	For the Year Ended December 31, 2005

<i>1</i>	Revenue:													
<i>2</i>	Design Fees Revenue							7	5	0	0	00		
<i>1</i>	Expenses:													
<i>2</i>	Advertising Expense	1	1	0	0	00								
<i>2</i>	Maintenance Expense		7	5	0	00								
<i>2</i>	Miscellaneous Expense			5	0	00								
<i>2</i>	Rent Expense	1	5	0	0	00								
<i>2</i>	Repair Expense		4	0	0	00								
<i>2</i>	Utilities Expense		7	7	5	00								
<i>2</i>	Total Expenses							4	5	7	5	00		
<i>2</i>	Net Income							2	9	2	5	00		
<i>24</i>	<b>Total Points</b>													

*Note to Graders: A total of 1 Point should be given for having proper rulings.*



**Problem 2**  
**Job 2—Balance Sheet**

RAK Designs	<i>1</i>
Balance Sheet	<i>1</i>
December 31, 2005	<i>1</i>

Assets											<i>1</i>	
Cash	7	5	0	0	00							<i>2</i>
Accounts Receivable	2	4	2	5	00							<i>2</i>
Office Equipment	6	2	0	0	00							<i>2</i>
Office Furniture	6	0	0	0	00							<i>2</i>
Computer Equipment	8	8	0	0	00							<i>2</i>
Total Assets						30	9	2	5	00		<i>3</i>
Liabilities												<i>1</i>
Accounts Payable						5	9	0	0	00		<i>2</i>
Owners' Equity												<i>1</i>
Richard Kindall, Capital						25	0	2	5	00		<i>5</i>
Total Liabilities & Owners' Equity						30	9	2	5	00		<i>3</i>
<b>Total Points:</b>											<b><i>30</i></b>	

*Note to Graders: A total of 1 point should be given for proper rulings.*