

FUNDAMENTAL ACCOUNTING (01)

Secondary

Regional – 2013

Multiple Choice	_____ (50 pts)
Account Identification	_____ (30 pts)
Problem 1 Journalizing	_____ (56 pts)
Problem 2 Income Statement	_____ (26 pts)
Problem 3 Closing Entries	_____ (24 pts)
TOTAL POINTS	_____ (186 pts)

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 material 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 testing time
No more than ten (10) minutes wrap-up

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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. Any interest is calculated on 360 days and rounding should be to the nearest cent or hundredth.

Your name and/or school name should NOT appear on any work you submit for grading. Write your contestant number in the provided space. Staple all pages in order before you turn in your test.

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Multiple Choice (25 questions at 2 points each) Circle the best answer.

1. Financial statements are used by
 - a. management.
 - b. Government agencies.
 - c. creditors.
 - d. All are correct

2. Which of the following agencies is charged with the primary responsibility for developing accounting principles?
 - a. SEC (Securities and Exchange Committee)
 - b. AICPA (American Institute of Certified Public Accountants)
 - c. FASB (Financial Accounting Standards Board)
 - d. IRS (Internal Revenue Service)

3. The assets and owner's equity of a company are \$192,000 and \$110,000, respectively. Liabilities must be equal to
 - a. \$302,000.
 - b. \$110,000.
 - c. \$192,000.
 - d. \$ 82,000.

4. Supplies purchased on account for future use in the business are classified as
 - a. assets.
 - b. expenses.
 - c. prepaid liabilities.
 - d. liabilities.

5. The asset created when a business makes a sale on account is termed
 - a. Accounts Payable.
 - b. Prepaid Expense.
 - c. Accounts Receivable.
 - d. Unearned Revenue.

6. There are four types of transactions that affect Owner's Equity. Which two types of transactions decrease Owner's Equity?
 - a. Revenues and expenses
 - b. Expenses and owner's withdrawals
 - c. Revenues and owner's investments
 - d. Owner's investments and revenue

7. In accounting terms, a creditor has a claim against the assets of a business. That claim is reflected in the accounting records as
 - a. an asset.
 - b. a liability.
 - c. an expense.
 - d. a revenue.

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8. Accounts are listed in the general ledger
 - a. chronologically.
 - b. alphabetically.
 - c. in accordance with their appearance in the chart of accounts.
 - d. so that accounts used most often are listed first.

9. A debit may signify a
 - a. decrease in an asset.
 - b. increase in capital.
 - c. decrease in an expense.
 - d. decrease in a liability.

10. Which of the following is the final step in the accounting cycle?
 - a. Preparing a post-closing trial balance
 - b. Preparing adjusting entries
 - c. Preparing a work sheet
 - d. Preparing the financial statements

11. The process of initially recording a business transaction is called
 - a. trial balancing.
 - b. posting.
 - c. adjusting.
 - d. journalizing.

12. The process of transferring the journal entries to the general ledger is known as
 - a. trial balancing.
 - b. posting.
 - c. adjusting.
 - d. journalizing.

13. Which of the following errors will cause the trial balance totals to be unequal?
 - a. Transposing the amount of the entry for both the debit and credit
 - b. Failing to record a transaction
 - c. Posting a transaction to both accounts as credits
 - d. Recording a transaction twice

14. Using accrual accounting, revenue is recorded and reported only
 - a. when cash is received without regard to when the services are rendered.
 - b. when the service is rendered without regard to when cash is received.
 - c. when cash is received at the time services are rendered.
 - d. if cash is received after the services are rendered.

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15. Adjusting entries will always involve
- only income statement accounts.
 - only balance sheet accounts.
 - the cash account.
 - at least one income statement and one balance sheet account.
16. Which of the following is a temporary account?
- Office Supplies
 - Prepaid Insurance
 - Scott Thompson, Drawing
 - Accounts Payable
17. What best describes the logical order during the end-of-period procedures?
- Prepare work sheet, financial statements, closing entries
 - Prepare income statement, balance sheet, work sheet
 - Prepare adjusting entries, closing entries, financial statements
 - Prepare adjusting entries, closing entries, work sheet
18. The Balance Sheet should be prepared
- before the Income Statement.
 - before the Statement of Owner's Equity.
 - after the Income Statement.
 - after the Income Statement and Statement of Owner's Equity.
19. What is the order to prepare the closing entries?
- Revenues, expenses, income summary, drawing
 - Revenues, expenses, capital, drawing
 - Income summary, revenues, expenses, drawing
 - Income summary, revenues, expenses, capital
20. A fiscal year
- is a twelve month period that may be different for different companies.
 - is determined by the federal government.
 - begins on January 1.
 - should end at the company's busiest time.

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21. The amount of net income for an accounting period represents an increase in

- a. Cash.
- b. Accounts \Receivable.
- c. Owner's Equity.
- d. Liabilities.

22. The primary ledger containing all the balance sheet and income statement accounts is called the

- a. General Ledger.
- b. Subsidiary Ledger.
- c. Accounts Receivable Ledger.
- d. Accounts Payable Ledger.

23. Beginning accounts payable shows a balance of \$4,150. Debits to the account for the month total \$2,200, while credits total \$2,500. What is the ending balance for accounts payable?

- a. \$3,850
- b. \$4,150
- c. \$4,450
- d. \$8,850

24. The entry to establish a petty cash fund of \$500 is

- a. Cash \$ 500
 Petty Cash \$ 500
- b. Petty Cash \$ 500
 Cash \$ 500
- c. Expenses \$ 500
 Cash \$ 500
- d. Cash \$ 500
 Expenses \$500

25. What method describes the balancing of the checkbook and the bank balance?

- a. Bank balancing
- b. Checkbook balancing
- c. Bank reconciliation
- d. Cash balancing

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Account Identification (30 points)

Instructions: For each of the listed accounts, identify the account classification and the normal balance using the following abbreviations:

A- Asset**R-** Revenue**Dr -** Debit**L-** Liability**E-** Expense**Cr -** Credit**OE-** Owner's Equity

Account Title	Type of Account	Normal Balance
Accounts Receivable		
Peggy Lind, Capital		
Fees Earned		
Wages Payable		
Cash		
Utilities Expense		
Prepaid Insurance		
Accounts Payable		
Interest Expense		
Equipment		
Peggy Lind, Drawing		
Sales		
Notes Payable		
Land		
Accumulated Depreciation - Equipment		



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Multiple Choice (25 questions at 2 points each for total of 50 points) Circle the best answer.

- | | | |
|-------|-------|-------|
| 1. D | 11. D | 21. C |
| 2. C | 12. B | 22. A |
| 3. D | 13. C | 23. C |
| 4. A | 14. B | 24. B |
| 5. C | 15. D | 25. C |
| 6. B | 16. C | |
| 7. B | 17. A | |
| 8. C | 18. D | |
| 9. D | 19. A | |
| 10. A | 20. A | |

Account Identification (30 at 1 point each)

Instructions: For each of the listed accounts, identify the account classification and the normal balance using the following abbreviations:

- | | | |
|---------------------------|-------------------|--------------------|
| A- Asset | R- Revenue | Dr - Debit |
| L- Liability | E- Expense | Cr - Credit |
| OE- Owner's Equity | | |

(NOTE TO GRADER – Do not mark off if student spells out classification or normal balance)

Account Title	Type of Account	Normal Balance
Accounts Receivable	A	DR
Peggy Lind, Capital	OE	CR
Fees Earned	R	CR
Wages Payable	L	CR
Cash	A	DR
Utilities Expense	E	DR
Prepaid Insurance	A	DR
Accounts Payable	L	CR
Interest Expense	E	DR
Equipment	A	DR
Peggy Lind, Drawing	OE	DR
Rent Revenue	R	CR
Unearned Revenue	L	CR
Land	A	DR
Accumulated Depreciation – Equipment	A	CR



**Problem 1 Journalizing (Each item is worth 1 point. No points awarded for dates.
 Total points = 56 points)**

- Feb. 1 Cally Jones started a printing business by investing \$40,000 cash.
- Feb. 1 Cally invested a van worth \$8,600 and supplies valued at \$380 in the company.
- Feb. 2 Paid \$3,000 for rent for next three months.
- Feb. 3 Purchased equipment for \$10,000, paying \$5,000 cash with the remainder on account.
- Feb. 4 Paid \$1,200 for advertising in the local paper.
- Feb. 6 Purchased supplies of \$3,000 on account with Sandy Supplies.
- Feb. 12 Received \$900 cash for printing provided for McCoy Publishing.
- Feb. 15 Provided printing of \$350 to Hannover Publishing on account.
- Feb. 19 Provided printing of \$1,800 to Southland Insurance on account.
- Feb. 20 Purchased annual insurance policy for \$600.
- Feb. 24 Received the amount owed by Hannover Publishing.
- Feb. 28 Paid utilities of \$285.
- Feb. 28 Owner withdrew \$1,600 cash.

General Journal

Date	Description	Post Ref	Debit	Credit
Feb.1	Cash		40,000	
	Cally Jones, Capital			40,000
Feb. 1	Van (may use Truck, Equipment, or other assets)		8,600	
	Supplies		380	
	Cally Jones, Capital			8,980
Feb. 2	Prepaid Rent		3,000	
	Cash			3,000
Feb. 3	Equipment		10,000	
	Cash			5,000
	Accounts Payable (may use AP)			5,000
Feb. 4	Advertising Expense		1,200	
	Cash			1,200



**Problem 2 Income Statement (1 point for each item, plus 5 points for correct net income;
Total 26 points)**

Codell Company

Income Statement

For the year ended April 30, 2013

Revenues:		
Fees Earned		\$41,600
Operating Expenses:		
Wages Expenses	\$10,800	
Rent Expense	9,100	
Utilities Expense	5,275	
Depreciation Expense	3,100	
Miscellaneous Expensed	<u>1,275</u>	
Total Operating Expenses		<u>29,550</u>
Net Income		<u>\$12,050</u>



**Problem 3 Closing Entries (Each item is worth 1 point. No points awarded for dates.
 Total points = 24 points)**

General Journal

Date	Description	Post Ref	Debit	Credit
	<u>Closing Entries</u>			
4/30/13	Fees Earned		\$41,600	
	Income Summary			\$41,600
	Income Summary		29,550	
	Wages Expense			10,800
	Rent Expense			9,100
	Utilities Expense			5,275
	Depreciation Expense			3,100
	Miscellaneous Expense			1,275
	Income Summary		12,050	
	Dean Codell, Capital			12,050
	Dean Codell, Capital		9,300	
	Dean Codell, Drawing			9,300