

Overview

The accurate keeping of financial records is an ongoing activity in all types of businesses. This event provides recognition for FBLA members who have an understanding of and skill in basic accounting principles and procedures. Students who have completed more than one year of accounting instruction are **not** eligible.

Competencies

The topics listed below are prioritized, listing first the most important content areas of the tests.

- Basic practices of accounting for the sole proprietorship, partnership, and corporation
- Types of ownership
- Basic accounting cycle
- Terminology
- Account classification
- Journalizing
- Posting
- Income statement
- Balance sheet
- Worksheet
- Bank reconciliation
- Payroll
- Depreciation, repairs, improvements
- Manual and computerized accounting software
- Ethical standards

Procedures/Tips

- Review the Competitive Events Tips in the front of the book.

Web Site Resources

- http://nysscpa.org/prof_library/guide.html
- <http://accounting.ucdavis.edu/refs/glossary.cfm?list=alpha&alpha=a>
- http://www.dmacc.edu/instructors/taprindle/welcome_files/301/solutions/smch03.pdf
- <http://www.quickmba.com/accounting/>

Accounting I Sample Questions

1. Which of the following entries records the receipt of a utility bill from the water company?
 - a. Debit Utilities Expense; credit Accounts Payable
 - b. Debit Accounts Payable; credit Utilities Payable
 - c. Debit Accounts Payable; credit Cash
 - d. Debit Utilities Payable; credit Accounts Receivable
2. Using a perpetual inventory system, the entry to record the purchase of \$30,000 of merchandise on account would include a
 - a. credit to Merchandise Inventory.
 - b. debit to Sales.
 - c. debit to Merchandise Inventory.
 - d. credit to Sales.
3. A trial balance is prepared to:
 - a. prove that there were no errors made in recording transactions into the journal
 - b. summarize the account balances to help prepare financial statements
 - c. prove that no errors were made in posting to the ledger
 - d. prove that each account balance is correct
4. Merchandise inventory at the end of the year was inadvertently overstated. Which of the following statements correctly states the effect of the error on net income, assets, and owner's equity?
 - a. net income is overstated, assets are overstated, owner's equity is overstated
 - b. net income is understated, assets are understated, owner's equity is overstated
 - c. net income is understated, assets are understated, owner's equity is understated
 - d. net income is overstated, assets are overstated, owner's equity is understated
5. Under the perpetual inventory system, all purchases of merchandise are debited to the account entitled
 - a. Cost of Merchandise Sold.
 - b. Cost of Merchandise Available for Sale.
 - c. Merchandise Inventory.
 - d. Purchases.
6. A special journal used to record all transactions involving cash receipts or increases is the
 - a. purchases journal.
 - b. cash receipts journal.
 - c. cash payments journal.
 - d. sales journal.
7. Which account would normally not require an adjusting entry?
 - a. Accumulated Depreciation
 - b. Wages Expense
 - c. Smith, Capital
 - d. Accounts Receivable
8. Equipment with a cost of \$80,000, an estimated residual value of \$5,000, and an estimated life of 15 years was depreciated by the straight-line method for 5 years. Due to obsolescence, it was determined that the useful life should be shortened by 5 years and the residual value changed to zero. The depreciation expense for the current and future years is:
 - a. \$ 5,000
 - b. \$10,000
 - c. \$11,000
 - d. \$ 5,500

9. The Weber Company purchased a mining site for \$500,000 on July 1, 2005. The company expects to mine ore for the next 10 years and anticipates that a total of 100,000 tons will be recovered. The estimated residual value of the property is \$80,000. During 2005 the company extracted 6,000 tons of ore. The depletion expense for 2005 is:
- \$25,200
 - \$42,000
 - \$12,600
 - \$50,000
10. Over a period of time, if total assets increase by \$20,000 and total liabilities increase by \$5,000, then owner's equity will be increased by:
- \$25,000
 - \$20,000
 - \$ 5,000
 - \$15,000
11. Adjusting entries
- affects both income statement and balance sheet accounts.
 - affects only balance sheet accounts.
 - affects only income state accounts.
 - affects only cash flow statement accounts.

A summary of selected ledger accounts appears below for Ted's Auto Services for the 2005 calendar

<i>Ted, Capital</i>	<i>Ted, Drawing</i>	<i>Income Summary</i>
12/31 7,000 1/1 5,000	6/30 2,000 12/31 7,000	12/31 15,000 12/31 32,000
12/31 17,000	11/30 5,000	12/31 17,000

12. Net income for the period is:
- \$17,000
 - \$15,000
 - \$22,000
 - \$ 7,000
13. June receives an annual salary of \$10,000 plus a 5 percent commission on all sales during the year in excess of \$125,000. Her sales for the year total \$235,000. Her total earnings amount to:
- \$26,250
 - \$25,500
 - \$20,000
 - \$31,750
14. The following information is available for the Deeds Travel Agency:
- | | |
|------------------------------|-----------|
| Total revenues | \$125,000 |
| Total expenses | \$ 60,000 |
| J. T. Deeds, Capital | \$ 80,000 |
| J. T. Deeds, Withdrawals | \$ 15,000 |

After these closing entries are completed, what will be the balance in the J. T. Deeds, Capital account?

- \$ 65,000
- \$ 80,000
- \$130,000
- \$145,000

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15. A company purchased a new truck at a cost of \$42,000 on July 1, 2005. The truck is estimated to have a useful life of 6 years and a salvage value of \$3,000. Using the straight-line method, how much depreciation expenses will be recorded for the truck for the year ended December 31, 2005?
- \$3,500
 - \$7,000
 - \$4,000
 - \$3,250
16. On November 1, Kim Company accepted a 3-month note receivable as payment for services provided to Chu Company. The terms of the note were \$8,000 face value and 6% interest. Kim Company closes its books on December 31 and does not use reversing entries. On February 1, the journal entry to record the collection of the note should include a credit to
- Notes Receivable for \$8,120.
 - Interest Receivable for \$120.
 - Interest Revenue for \$40.
 - Interest Revenue for \$120.
17. A 60-day, 10% note for \$8,000, dated April 15, is received from a customer on account. The face value of the note is
- \$7,200.
 - \$8,800.
 - \$8,600.
 - \$8,000.
18. The entry to journalize paying a semimonthly payroll less deductions for employee income tax, social security and Medicare tax, and U.S. Savings Bonds is a credit to Cash and the liability accounts and a debit to
- salary expense.
 - cash.
 - unemployment tax payable—federal.
 - payroll taxes expense.
19. The state charter allows a corporation to issue only a certain number of shares of each class of stock. This amount of stock is called
- issued stock.
 - authorized stock.
 - treasury stock.
 - outstanding stock.
20. When a charge customer returns an item, the seller prepares a
- credit memorandum.
 - return receipt.
 - sales allowance receipt.
 - debit memorandum.
21. Accounts Payable would appear as a debit in
- the Sales journal.
 - the Purchases journal.
 - the Cash Receipts journal.
 - the Cash Payments journal.
22. The independent auditor's report does which of the following?
- gives the auditor's opinion regarding the fairness of the financial statements
 - summarizes what the auditor did
 - states that the financial statements are truthful
 - describes which financial statements are covered by the audit

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23. Which of the following is **not** an asset account?
- a. Sales
 - b. Cash
 - c. Supplies
 - d. Office Equipment
24. Which of the following describes the classification and normal balance of J. Schuyler, Drawing?
- a. Owner's Equity, debit
 - b. Expense, debit
 - c. Liability, credit
 - d. Asset, debit
25. If a parcel of land is offered for sale at \$150,000, is assessed for tax purposes at \$95,000, is recognized by its purchasers as easily being worth \$140,000, and is purchased for \$137,000, the land should be recorded in the purchaser's books at
- a. \$138,500.
 - b. \$150,000.
 - c. \$ 95,000.
 - d. \$137,000.
26. Sales less sales discounts less sales returns and allowances equals
- a. net purchases.
 - b. cost of goods sold.
 - c. net income.
 - d. net sales.
27. The financial statement that reports whether the business earned a profit and also lists the types and amounts of the revenues and expenses is called
- a. a statement of cash flows.
 - b. an income statement.
 - c. a balance sheet.
 - d. a statement of owner's equity.
28. Welch Company's bank statement shows that a note receivable of \$10,000 and interest of \$800 were collected by the bank on behalf of the depositor. The entry required on the company's books is:
- a. debit Cash, debit Interest Expense, credit Notes Receivable
 - b. debit Cash, credit Notes Receivable
 - c. debit Cash, credit Interest Income, credit Notes Receivable
 - d. debit Cash, debit Interest Income, credit Notes Receivable
29. A check issued to a creditor in the amount of \$53 was recorded in the journal as \$530. In the bank reconciliation, the correction would be recorded as
- a. an addition to the ledger balance of cash.
 - b. a deduction from the bank statement balance.
 - c. an addition to the bank statement balance.
 - d. a deduction from the ledger balance of cash.
30. Two bank statement amounts that require journal entries are
- a. deposit in transit and bank service charges.
 - b. outstanding checks and an error in recording a check.
 - c. collection of a note receivable and deposit in transit.
 - d. bank service charges and an NSF (not sufficient fund) check.

Accounting I Answer Key

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

Accounting II Answer Key

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

Banking & Financial Systems Answer Key

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

Business Calculations Answer Key

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

Business Communication Answer Key

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