

Overview

The accurate keeping of financial records is a vital ongoing activity in all types of businesses. This event provides recognition for FBLA members who have demonstrated an understanding of and skill in accounting principles and procedures as applied to sole proprietorships, partnerships, and corporations.

This event consists of two parts: an objective test taken at the NLC and a skills production test taken prior to the NLC. This is an individual event.

Competencies and Task Lists

<http://www.fbla-pbl.org/docs/ct/FBLA/ACCOUNTING2.pdf>

Website Resources

- Accounting Handouts for Introductory Accounting
<http://www.bboinc.com/actghome/teacher.htm>
- Bean Counter's Bookkeeping & Accounting Quizzes, Games, and Lectures
<http://www.dwmbeancounter.com/BCTutorSite/Quizzes/BCOnlineQuiz.html>
- Beginning the Accounting Cycle:
http://www.dmacc.edu/instructors/tapindale/welcome_files/301/solutions/smch03.pdf
- Careers in Accounting
<http://www.careers-in-accounting.com/>
- Investopedia
<http://www.investopedia.com/>
- Principles of Accounting
<http://principlesofaccounting.com/>
- UCD Accounting Glossary
<http://accounting.ucdavis.edu/refs/glossary.cfm?list=alpha&alpha=a>

ACCOUNTING II SAMPLE QUESTIONS

1. A proof of the equality of debits and credits in a general ledger is a(n):
 - a. ledger balance
 - b. trial balance
 - c. worksheet
 - d. balance sheet

Competency: Financial Statements

2. Expenses paid in one fiscal period but **not** reported as expenses until a later fiscal period are initially recorded as:
 - a. revenue on the Income Statement
 - b. prepaid expenses on the Balance Sheet
 - c. accrued expenses on the Balance Sheet
 - d. accumulated expenses on the Income Statement

Competency: Financial Statements

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3. A written application requesting permission to form a corporation is called the:
- charter
 - application for incorporation
 - stock certificate
 - articles of incorporation

Competency: Corporate Accounting

4. What effect would a two for one stock split have?
- The number of shares outstanding would drop in half.
 - The shareholders ownership percentage would double.
 - The stock price will drop by half and the number of shares of stock outstanding will double.
 - The stock price will double and the number of shares of stock outstanding will drop by half.

Competency: Corporate Accounting

5. Cole and Madison are partners who decided to liquidate the partnership. Before the liquidation, the partnership's balance sheet showed Cash \$10,000, total "other assets", \$106,000; total liabilities, \$88,000; Cole Capital, \$15,100; and Madison, Capital, \$12,900. The "other assets" were sold for \$118,000. After liabilities are paid, what is total distribution to Cole?
- \$20,000
 - \$70,000
 - \$44,000
 - \$21,100

Competency: Partnerships

6. Wilson invests cash of \$30,000 in the partnership. Jones invests the assets of an existing business. Jones's balance sheet shows \$8,000 in cash, \$10,000 in accounts receivable, \$500 in allowance for uncollectible accounts, \$7,000 for other current assets, \$15,000 for equipment, \$5,000 for accumulated depreciation minus equipment, and \$1,000 for accounts payable. The total capital of the partnership will be:
- \$55,000
 - \$38,000
 - \$63,500
 - \$48,000

Competency: Partnerships

7. Marsh Corporation has a current assets valued at \$15 million, inventory at \$12 million, and current liabilities valued at \$6 million. The cost of goods sold was \$60 million. Based on this information, its current ratio is:
- 3.0
 - 2.5
 - 0.5
 - 0.25

Competency: Ratios and Data Analysis

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8. Use horizontal analysis to compute the percentage increase in sales: In 2009 sales were \$200,000 and in 2010 sales were \$250,000. The result is:
- a. sales increased by 125 percent
 - b. sales increased by 80 percent
 - c. sales increased by 30 percent
 - d. sales increased by 25 percent

Competency: Ratios and Data Analysis

9. The entry to record the receipt of a note from a charge customer in settlement of the account is:
- a. debit Accounts Receivable; credit Notes Payable
 - b. debit Accounts Receivable; credit Notes Receivable
 - c. debit Notes Receivable; credit Accounts Receivable
 - d. debit Notes Payable; credit Accounts Receivable

Competency: Accounts Receivable and Payable

10. Using the aging method, Marsh Corporation estimates that uncollectible accounts will total \$700 this year. The Allowance for Uncollectible Accounts balance is \$490. The adjusting entry:
- a. debit the expense account \$1,190; credit the allowance account \$1,190
 - b. debit the expense account \$210; credit the allowance account \$210
 - c. debit the expense account \$700; credit the allowance account \$700
 - d. debit the expense account \$490; credit the allowance account \$490

Competency: Accounts Receivable and Payable

11. Which one of the following items would be included in a cash budget?
- a. dividends
 - b. accrued expenditure
 - c. depreciation
 - d. provision for doubtful debts

Competency: Budgeting and Cash Flow

12. Marsh Corporation reported sales of \$160,000 (20,000 units). Fixed costs amounted to \$20,000 and income for the period was \$80,000. The per-unit variable cost is:
- a. \$2.50
 - b. \$2.00
 - c. \$1.00
 - d. \$3.00

Competency: Budgeting and Cash Flow

13. Which one of the following accounts is **not** considered factory overhead?
- a. plant heating and electricity
 - b. supervisor's salary
 - c. administrative office salaries
 - d. factory supplies

Competency: Cost Accounting/Manufacturing

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14. What is the cost of raw materials used if Raw Materials Purchases is \$800,000; beginning Raw Materials Inventory is \$100,000; and, ending Raw Materials inventory is \$150,000.
- a. \$950,000
 - b. \$1,050,000
 - c. \$750,000
 - d. \$850,000

Competency: Cost Accounting/Manufacturing

15. The cost of supplies used by a specific department is an example of a(n):
- a. indirect expense
 - b. cost of merchandise sold
 - c. revenue
 - d. direct expense

Competency: Departmentalized Accounting

16. Three departments (A, B, C) occupy floor space of 15,000, 75,000, and 30,000 square feet respectively. How much of this year's \$225,000 rent expense will be allocated to the Department C?
- a. \$78,125
 - b. \$120,000
 - c. \$140,625
 - d. \$56,250

Competency: Departmentalized Accounting

17. Allowing workers time to work for nonprofit organizations, making donations to schools, hospitals, and community projects, and sponsoring community programs such as the Special Olympics is a part of which one of the following?
- a. social responsibility
 - b. research and development
 - c. ethics
 - d. regulations

Competency: Ethics

18. The principle that requires an accountant to protect information learned in the course of work is called:
- a. integrity
 - b. confidentiality
 - c. objectivity
 - d. competence

Competency: Ethics

19. The Employer's Quarterly Federal Tax Return is prepared using Form

- a. 1040
- b. 944
- c. 941
- d. 942

Competency: Income Tax

20. The difference between the value of a liability or an asset and the amount of tax that is due on the liability or asset is called a(n):

- a. unearned tax loss
- b. unearned tax
- c. deferred tax
- d. deferred cash

Competency: Income Tax

21. Find the cost assigned to ending merchandise inventory of 500 units using the weighted average method.

Beginning Inventory 100 @ \$18.00 = \$1,800.00

First Purchase 400 @ \$19.00 = 7,600.00

Second Purchase 800 @ \$18.25 = 14,600.00

Third Purchase 500 @ \$20.40 = 10,200.00

- a. \$10,200
- b. \$9,500
- c. \$10,500
- d. \$9,800

Competency: Inventory

22. What is estimated ending inventory using the Gross Profit method with the following data? Marsh Corporation has a gross profit rate of 35 percent of net sales. Net Sales are \$600,000 and total Merchandise Available for Sale is \$525,000.

- a. \$135,000
- b. \$ 175,000
- c. \$210,000
- d. \$390,000

Competency: Inventory

23. The journal entry to record the return of merchandise sold on account is:

- a. debit Sales Returns & Allowances; credit Purchases
- b. debit Sales Returns & Allowances; credit Accounts Receivable
- c. debit Sales; credit Accounts Receivable
- d. debit Accounts Receivable; credit Sales Returns & Allowances

Competency: Journalizing and Posting

24. Which one of the following accounts would **not** be closed at the end of an accounting period?

- a. Dividends
- b. Capital Stock
- c. Revenue
- d. Income Summary

Competency: Journalizing and Posting

25. Williams earns time-and-a-half for all hours worked in excess of 8 hours per day and double time for all hours worked on Sunday. His hourly rate is \$12. During the week, his timecard recorded the following: Monday–8; Tuesday–9; Wednesday–9; Thursday–8; Friday–9; Sunday 5. Williams' gross earnings for the week are:

- a. \$564
- b. \$480
- c. \$534
- d. \$654

Competency: Payroll

26. Employers do **not** make deductions from employees' paychecks for:

- a. employee's share of health insurance premiums
- b. federal income taxes
- c. federal unemployment taxes
- d. social security taxes

Competency: Payroll

27. Using the sum of the year's digits method, calculate the depreciation for Year 3 for a plant asset with a cost of \$ 110,000, Salvage value of \$20,000, and Useful life of 5 years.

- a. \$38,000
- b. \$18,000
- c. \$30,000
- d. \$24,000

Competency: Plant Assets and Depreciation

28. If the modified accelerated cost recovery system (MACRS) is used to depreciate an asset for tax purposes, which one of the following statements is **correct**?

- a. Depreciation will be less for tax purposes than for financial reporting in the early years.
- b. Depreciation amounts will be the same for financial reporting purposes.
- c. Depreciation will be greater for tax purposes than for financial reporting in the early years.
- d. The tax life will exceed the financial reporting life.

Competency: Plant Assets and Depreciation

29. Revenues from sales are \$450,000, sales discounts are \$12,000, cost of goods sold is \$230,000, and operating expenses are \$180,000. Income before taxes is:

- a. \$40,000
- b. \$438,000
- c. \$220,000
- d. \$28,000

Competency: Purchases and Sales

30. Marsh Corporation plans to sell security systems for \$2,500 per unit. Variable costs are \$1,500 per unit and total fixed costs are \$1,000,000. What is the break-even point in dollars?

- a. \$2,000,000
- b. \$1,500,000
- c. \$1,000,000
- d. \$2,500,000

Competency: Purchases and Sales

ACCOUNTING II SAMPLE PRODUCTION TEST

General Instructions

You have recently been hired by Marsh Corporation as an accounting technician. Your responsibility is to assist the company's CPA in the compilation and presentation of accounting financial information. You will focus on end-of-period activities.

JOB 1: Preparing an Income Statement

Prepare an income statement for the period ending December 31, 2010 for Marsh Corporation using the accounts and balances listed below:

Beginning Merchandise Inventory	\$36,725
Ending Merchandise Inventory	18,515
Interest Expense	612
Operating Expenses	18,355
Purchases	21,335
Purchases Discounts	2,280
Purchases Returns	2,350
Sales	63,225
Sales Discounts	4,825
Sales Returns	2,615

Print Job 1: Income Statement**JOB 2: Recording Payroll and Employer's Payroll Taxes**

Marsh Corporation's payroll register has the following information for the pay period ending June 15, 2011:

- Total gross earnings = \$38,000
- Federal income tax withheld = \$3,952
- Social Security tax withheld = \$2,356
- Medicare tax withheld = \$551
- Health insurance premiums = \$1,125

- a. Record the payment of the payroll in the general journal. Check 871
- b. Record the employer payroll taxes for the pay period in the general journal. Memo 1426

General Journal					Page 1
Date	Account Title	Doc No.	Post. Ref.	Debit	Credit

Print Job 2: Payroll Journal Entries (a & b)**JOB 3: Recording Adjusting Entries for Uncollectible Accounts**

Marsh Corporation has the following general ledger account balances on December 31 of the current year.

- Accounts Receivable, \$16,000.00
- Allowance for Uncollectible Accounts, \$430.00
- Sales, \$ 42,000.00
- Sales Discount, \$1,400.00
- Sales Returns and Allowances, \$ 900.00

- a. Record the adjusting entry for Uncollectible Accounts calculated as 1 percent of net sales.
- b. Complete the schedule below and record the adjusting entry for Uncollectible Accounts using the Aging Method.

Schedule of Accounts Receivable by Age

Account Balances	Not Yet Due	1 – 30 Days	31 – 60 Days	61 – 90 Days	Over 90 Days
\$18,000.00	\$12,000.00	\$2,500.00	\$2,000.00	\$800.00	\$700.00
Percentages	0.2%	1.0%	4.0%	10.0%	40.0%
Amount	?	?	?	?	?

General Journal					Page 2
Date	Account Title	Doc No.	Post. Ref.	Debit	Credit

Print Job 3: Adjusting Entries for Uncollectible Accounts (a & b) and Schedule

JOB 4: Preparing Depreciation Schedule and Adjusting Entry

Part A: Complete the depreciation schedule table:

DEPRECIATION SCHEDULE			
Plant asset: Equipment		Estimated salvage value: \$500.00	
Original cost: \$12,500.00		Estimated useful life: 4 years	
Year	Straight Line Method	Double Declining Balance Method	Sum of the Years Digits Method
1			
2			
3			
4			

Part B: Record the adjusting entry using Year 3 double declining balance method.

General Journal					Page 2
Date	Account Title	Doc No.	Post. Ref.	Debit	Credit

Print Job 4: Depreciation Schedule and Adjusting Entry

JOB 5: Calculating Ending Inventory, Gross Profit, and Turnover Ratio (20 Points)

Marsh Corporation has the following data from its inventory records.

Beginning Inventory	150	\$ 8.00	\$ 1,200.00
First Purchase	150	10.00	1,500.00
Second Purchase	100	12.00	1,200.00
Third Purchase	200	14.00	2,800.00
Total Available	600		6,700.00
Ending Inventory	180		

Part A: Find the cost of the ending inventory using the **LIFO**, the **FIFO** and the **Weighted Average** methods

Calculating Ending Inventory

	First In, First Out	Last In, First Out	Weighted Average
Ending Inventory			

Part B: Complete the Gross Profit analysis for each method: **(Net Sales is provided)**

Calculating Gross Profit

	First In, First Out	Last In, First Out	Weighted Average
Sales	\$9,600.00	\$9,600.00	\$9,600.00
CMS			
Gross Profit			

Part C: Calculate the inventory turnover ratio for each method using the data above.

Calculating Turnover Ratio

Item	FIFO	LIFO	Weighted Average
Beginning Inventory	\$1,200.00	\$1,200.00	\$1,200.00
Ending Inventory			
Average Inventory			
Cost of Mdse. Sold			
Turnover Ratio			

Print Job 5-A: LIFO, FIFO, Weight Average

Print Job 5-B: Gross Profit Analysis

Print Job 5-C: Inventory Turnover

JOB 6: Recording Journal Entries For Accounts Receivable/Notes Receivable

2011

Oct. 4 Sold merchandise on account to Sheets and Sons; 2/10, n/30, \$1,200 (Sales Slip 6799)

Nov 3 Received \$300 as partial payment on account from Sheets and Sons and a 60-day, 10 percent note for \$900, dated November 3 (Receipt 877, Note 456)

Dec. 31 Made the adjusting entry to record the accrued interest. (use bank year to calculate interest)

General Journal					Page 1
Date	Account Title	Doc No.	Post. Ref.	Debit	Credit

Print Job 6: Journal Entries

JOB 7: Preparing A Cash Flow Statement

Prepare a statement of cash flows for May using the following data:

Operating Activities:

- Net Income \$ 1,800
- Increase in Supplies \$ 500
- Decrease in Accounts Payable \$ 400

Investing Activities:

- Purchase of equipment \$ 6,000

Financing Activities:

- Proceeds from issuance of common stock \$10,000
- Dividend payment 3,000

Marsh Corporation
Statement of Cash Flows
May 31, 2011

Operating Activities:	Inflow	Outflow	
Net cash flow from Operating Activities			\$
Investing Activities:			
Net cash flow from Investing Activities			\$
Financing Activities:			
Net cash flow from Financing Activities			\$
Net increase (decrease) in cash flow			\$

Print Job 7: Statement of Cash Flows

OBJECTIVE TEST ANSWER KEYS

Accounting I Answer Key

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

Accounting II Answer Key

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

Agribusiness Answer Key

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

Banking & Financial Systems Answer Key

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

ACCOUNTING II PRODUCTION ANSWER KEY

JOB 1: Preparing an Income Statement

MARSH CORPORATION			
INCOME STATEMENT			
FOR PERIOD ENDING DECEMBER 31, 2010			
Revenue:			
Sales	63,225.00		
Less: Sales Discount	4,825.00		
Sales Returns	2,615.00		
Net Sales			55,785.00
Cost of Merchandise Sold:			
Beginning Mdse. Inv.	36,725.00		
Purchases	21,335.00		
Less: Purchases Discount	2,280.00		
Purchases Returns	2,350.00		
Net Purchases	16,705.00		
Total Mdse. Avail for Sales	53,430.00		
Less Ending Mdse. Inv.	18,515.00		
Cost of Merchandise Sold:			<u>34,915.00</u>
Gross Profit			20,870.00
Operating Expenses			18,355.00
Income from Operations			2,515.00
Other Expenses			
Interest Expense			<u>612.00</u>
Net Income before Fed. Inc.			
Tax			1,903.00

JOB 2: Recording Payroll and Employer's Payroll Taxes

General Journal				Page 1	
Date	Account Title	Doc No.	Post. Ref.	Debit	Credit
2011					
June 15	Salaries Expense	CK871		38,000.00	
	Fed. Income Tax Payable				3,952
	Social Security Tax Payable				2,356
	Medicare Tax Payable				551
	Health Insurance Premiums Payable				1,125
	Cash				30,016
June 15	Payroll Taxes Expense	M1426		8,664.00	
	Social Security Tax Payable				3,952
	Medicare Tax Payable				2,356
	Federal Unemployment Tax Payable				304
	State Unemployment Tax Payable				2,052

JOB 3: Recording Adjusting Entries for Uncollectible Accounts

a. $(42,000 - 1,400 - 900) = 39,700 \times 1\% = \397.00

Schedule of Accounts Receivable by Age

Account Balances	Not Yet Due	1 – 30 Days	31 – 60 Days	61 – 90 Days	Over 90 Days
\$18,000.00	\$12,000.00	\$2,500.00	\$2,000.00	\$800.00	\$700.00
Percentages	0.2%	1.0%	4.0%	10.0%	40.0%
	\$24.00	25.00	80.00	80.00	280

b. **Total = \$489 - \$430 (Allowance for Uncollectible Accounts Balance) = \$59 adjustment**

General Journal				Page 2	
Date	Account Title	Doc No.	Post. Ref.	Debit	Credit
2011	<i>Adjusting Entries</i>				
Dec. 31	Uncollectible Accounts Expense	A		397.00	
	Allowance for Uncollectible Accounts				397.00
Dec. 31	Uncollectible Accounts Expense	B		59.00	
	Allowance for Uncollectible Accounts				59.00

Note: Uncollectible Accounts Expense or Bad Debts Expense is acceptable
Allowance for Uncollectible Accounts or Allowance for Doubtful Accounts is acceptable

JOB 4: Preparing Depreciation Schedule and Adjusting Entry

DEPRECIATION SCHEDULE			
Plant asset: Equipment		Estimated salvage value: \$500.00	
Original cost: \$12,500.00		Estimated useful life: 4 years	
Year	Straight Line Method	Double Declining Balance Method	Sum of the Years Digits Method
1	3,000.00	6,250.00	4,800.00
2	3,000.00	3,125.00	3,600.00
3	3,000.00	1,562.50	
4	3,000.00	781.25	

General Journal				Page 2	
Date	Account Title	Doc No.	Post. Ref.	Debit	Credit
2011	<i>Adjusting Entries</i>				
Dec. 31	Depreciation Expense - Equipment			1,562.50	
	Accumulated Depreciation – Equipment				1,562.50

JOB 5: Calculating Ending Inventory, Gross Profit, and Turnover Ratio**A. Calculating Ending Inventory**

First In, First Out	Last In, Last Out	Weighted Average
\$2,520.00	\$1,500.00	\$2,010.00
(180 x 14)	(150 x 8 + 30 x 10)	(180 x 11.17)

B. Calculating Gross Profit

	First In, First Out	Last In, Last Out	Weighted Average
Sales	\$9,600.00	\$9,600.00	\$9,600.00
CMS	\$4,180.00	\$5,200.00	\$4,690.00
Gross Profit	\$5,420.00	\$4,400.00	\$4,910.00

Note: CMS = Total Available (6,700) minus the value of the ending inventory for each method.

C. Calculating Turnover Ratio

Item	FIFO	LIFO	Weighted Average
Beginning Inventory	\$1,200.00	\$1,200.00	\$1,200.00
Ending Inventory	2,520.00	\$1,500.00	\$2,010.00
Average Inventory	\$1,860.00	\$1,350.00	\$1,605.00
Cost of Mdse. Sold	\$4,180.00	\$5,200.00	\$4,690.00
Turnover Ratio	2.25	3.85	2.92

Note: CMS divided by Average Inventory = Turnover Ratio

JOB 6: Recording Journal Entries for Accounts Receivable/Notes Receivable (10 Points)

General Journal				Page 1	
Date	Account Title	Doc No.	Post. Ref.	Debit	Credit
Oct. 4	Accounts Receivable/ Sheets & Sons	SS6799		1,200.00	
	Sales				1,200.00
Nov. 3	Cash	R 877		300.00	
	Notes Receivable	Note 456		900.00	
	Accounts Receivable/ Sheets & Sons				1,200.00
Dec. 31	Interest Receivable	Adj.		14.50	
	Interest Income				14.50

JOB 7: Preparing a Cash Flow Statement

Marsh Corporation
Statement of Cash Flows
May 31, 2011

Operating Activities:	Inflow	Outflow	
Net Income	1,800		
Increase in Supplies		500	
Decrease in Accounts Payable		400	
Net cash flow from Operating Activities			900
Investing Activities:			
Purchase of equipment		6,000	
Net cash flow from Investing Activities			(6,000)
Financing Activities:			
Proceeds from issuance of common stock	10,000		
Dividend payment		3,000	
Net cash flow from Financing Activities			7,000
Net increase (decrease) in cash flow			\$ 1,900.00