

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.

Competencies

The topics listed below for the objective test competencies are prioritized, listing first the most important content areas of the test.

Objective Test Competencies

- Principles and practices of accounting for the sole proprietorship, partnership, and corporation
- Financial statements
- Journalizing and posting
- Partnerships and corporate accounting
- Ratios and analysis
- Purchases and sales
- Worksheets
- Account classification
- Bank reconciliation
- Income tax
- Payroll
- Inventory
- Plant assets and depreciation
- Cost accounting/manufacturing
- Budgeting and cash flow
- Departmentalized accounting
- Ethics

Production Competencies

- Financial statements
- Bank reconciliation
- Payroll
- Trial balance
- Journalizing
- Inventory
- Depreciation
- Adjusting/closing entries

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 II Sample Questions

1. A transaction for the declaration of a dividend is recorded in a
 - a. cash receipts journal.
 - b. cash payments journal.
 - c. sales journal.
 - d. none of the answers are correct
2. Each employer must file a federal tax return showing the federal income tax and social security and Medicare taxes due to the government on Form
 - a. 940.
 - b. W-3.
 - c. 941.
 - d. W-2.
3. The total of the Federal Income Tax column of a payroll register is credited to
 - a. a liability account.
 - b. an asset account.
 - c. an expense account.
 - d. a revenue account.
4. A journal amount column headed with an account title is a
 - a. general debit column.
 - b. general amount column.
 - c. general credit column.
 - d. special amount column.
5. The journal entry for a cash and credit card sales transaction is:
 - a. debit Sales Tax Payable; debit Cash; credit Sales
 - b. debit Sales; credit Cash; credit Sales Tax Payable
 - c. debit Cash; credit Sales; credit Sales Tax Payable
 - d. debit Cash; debit Sales Tax Payable; credit Sales
6. The journal entry for a cash receipt on account is:
 - a. debit Accounts Payable; credit Accounts Receivable
 - b. debit Cash; credit Accounts Receivable
 - c. debit Accounts Payable; credit Cash
 - d. debit Cash; credit Accounts Payable
7. The bank statement shows a checking account balance of \$5,500. There are outstanding checks totaling \$600, an outstanding deposit of \$500, and a bank service charge of \$15. The checking account balance should be:
 - a. \$5,700
 - b. \$5,300
 - c. \$5,285
 - d. none of the answers are correct
8. Items reported on a corporation income statement that are not reported on a partnership income statement include
 - a. net sales, net purchases, and federal income tax.
 - b. federal income tax.
 - c. federal income tax expense and cash short and over.
 - d. other revenue, other expense, and federal income tax.

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9. A corporation's total stockholders' equity is increased by
 - a. declaring dividends.
 - b. receiving payment on account.
 - c. net income.
 - d. paying dividends.
 10. Dividends can be distributed to stockholders of a corporation by
 - a. formal action by the board of directors.
 - b. a majority vote of the stockholders.
 - c. the chairman of the board of a corporation.
 - d. the president of the corporation.
 11. The amount on each line of a purchases journal is posted as a
 - a. debit to the purchases account in the general ledger.
 - b. credit to the vendor account in the accounts payable ledger.
 - c. credit to the cash account in the general ledger.
 - d. debit to the accounts payable account in the general ledger.
 12. A deduction that a vendor allows on the invoice amount to encourage prompt payment is a
 - a. cash discount.
 - b. trade discount.
 - c. list price.
 - d. trade price.
 13. Prepaid Insurance is
 - a. an asset account.
 - b. a liability account.
 - c. an owner's equity account.
 - d. none of the answers are correct
 14. When using the account form to prepare a balance sheet, assets are
 - a. listed on the right side of the balance sheet.
 - b. not listed on the balance sheet.
 - c. listed on both sides of the balance sheet.
 - d. listed on the left side of the balance sheet.
 15. A corporation reports owners' equity on a balance sheet in
 - a. retained earnings.
 - b. a capital stock account and a dividends account.
 - c. an account for each owner.
 - d. two categories: earnings retained in the business and capital stock.
 16. Issuance of capital stock during the current year is reported on the
 - a. retained earnings statement.
 - b. statement of stockholders' equity.
 - c. balance sheet.
 - d. income statement.
 17. An accounting system that provides data for two or more departments is called
 - a. managerial accounting.
 - b. branch accounting.
 - c. departmental accounting.
 - d. cost accounting.

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18. Expenses incurred for the business as a whole and not under the control of one department head are called
- indirect expenses.
 - administrative expenses.
 - selling expenses.
 - direct expenses.
19. The value of ending inventory using the weighted-average method for an inventory of total purchases of \$1,000 for 100 units and ending inventory of 12 units is
- \$ 60.
 - \$ 62.
 - \$ 70.
 - \$120.
20. The value of ending inventory using the FIFO method for merchandise that has a beginning inventory of 20 units @ \$5 each, purchases during the year of ten units @ \$6 each, and ending inventory of 12 units is
- \$70.
 - \$62.
 - \$60.
 - \$72.
21. If merchandise is purchased for \$1,000 on August 1, with terms of sale of 2/10, n/30, the amount due to the vendor on August 9 is:
- \$ 20
 - \$ 980
 - \$ 990
 - \$1,000
22. When a credit is posted to the accounts receivable ledger,
- the source document number and page number of the journal are written in the Post. Ref. column of the account.
 - the Balance is written in the Item column.
 - the new amount posted in the Credit column is subtracted from the previous balance.
 - the credit amount is written in the Debit column of the account.
23. In the entry to journalize the employer payroll taxes expense for a semimonthly period, the account debited would be
- Payroll Taxes Expense.
 - Salary Expense.
 - Unemployment Tax Payable-Federal.
 - Cash.
24. To record the employer payroll taxes expense, the following accounts are credited:
- Social Security Tax Payable, Medicare Tax Payable, Unemployment Tax Payable-Federal, and Unemployment Tax Payable-State
 - none of the answers are correct
 - Employee Income Tax Payable, Social Security Tax Payable, Medicare Tax Payable, Unemployment Tax Payable-Federal, and Unemployment Tax Payable-State
 - Payroll Taxes Expense and Employee Income Tax Payable.
25. A business prepares a summary of financial information at least once each fiscal period because financial information
- is needed to prepare tax reports.
 - shows whether a profit is being made or a loss is being incurred.
 - all of the answers are correct.
 - is needed to make management decisions.

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26. A work sheet is
- a. prepared only once a year.
 - b. prepared to aid in the analysis of financial statements.
 - c. used to plan adjustments and sort financial statement information.
 - d. not necessary for small businesses.
27. Some examples of plant assets are
- a. prepaid insurance, computers, and supplies.
 - b. none of the answers are correct.
 - c. cash, supplies, and furniture.
 - d. computers, cash registers, and display cases.
28. Calculating an accurate inventory cost to assure that gross profit and net income are reported correctly on the income statement illustrates the application of the accounting concept:
- a. none of the answers are correct
 - b. adequate disclosure
 - c. consistent reporting
 - d. perpetual inventory
29. Which of the following is **not** considered a cause of unethical behavior?
- a. making decisions based on the principles of right and wrong
 - b. excessive emphasis on profits
 - c. misplaced business loyalty
 - d. unwillingness to take a stand
30. The principles of right and wrong that guide an individual in making decisions are called
- a. regulations.
 - b. ethics.
 - c. policies.
 - d. rules.

Accounting II Sample Production Test

Instructions

Students will have one hour to complete the production test and they may use any accounting or spreadsheet software to complete the problems.

If using spreadsheet software, create a general journal sheet by using the titles: *Date, Description, P.R., Debit, and Credit.*

Production Test

1. Selected transactions of the Bronson Company are listed below. The company uses the straight-line method of depreciation. Record the transactions in a general journal. Omit explanations.

20X4

- Jan. 5 Purchased office equipment at a price of \$5,000 FOB. The freight charge was \$48; the installation charge was \$200.
- April 1 Sold warehouse equipment for \$5,000 in cash. The equipment was purchased on January 3, 20X1, for \$16,000. The equipment has a useful life of five years and a salvage value of \$1,000. Depreciation was last recorded on December 31, 20X3.
- July 1 Sold office equipment for \$2,000 in cash. The equipment was purchased on July 3, 20X1, for \$3,000. The equipment has a useful life of five years and a salvage value of \$500. Depreciation was last recorded on December 31, 20X3.

20X5

- Jan. 2 Traded in office equipment for new equipment that is similar. The list price of the new office equipment is \$15,000. Paid \$10,000 cash and received a trade-in allowance of \$5,000 for the old equipment. The old equipment had been purchased on January 3, 20X1, for \$12,000. The old equipment had an estimated useful life of five years and a salvage value of \$2,000. Depreciation on the old equipment was last recorded on December 31, 20X4. (Use the income tax method to record the trade-in.)
- Jan. 4 Traded in warehouse equipment for new equipment that is similar. The list price of the new warehouse equipment is \$25,000. Paid \$19,000 cash and received a trade-in allowance of \$6,000 for the old equipment. The old equipment had been purchased on January 4, 20X1, for \$23,000. The old equipment had an estimated useful life of five years and a salvage value of \$3,000. Depreciation on the old equipment was last recorded on December 31, 20X4. (Use the fair market method to record the trade-in.)
2. After the MLS Corporation paid its employees on May 15, 20X4, and recorded the corporation's share of payroll taxes for the payroll paid that date, the firm's general ledger showed a balance of \$1,625 in the Social Security Tax Payable account, a balance of \$375 in the Medicare Tax Payable account, and a balance of \$1,500 in the Employee Income Tax Payable account. On May 16, 20X4, the business issued a check to deposit the taxes owed in the local bank. Record this transaction in a general journal.

3. Robinson Company's partial worksheet for the month ended March 31, 20X5, is shown below. Open the owner's Capital account (No. 310) in the general ledger and record the March 1, 20X5, balance of \$30,000 shown on the worksheet. Journalize the closing entries on page 3 of a general journal. Post the closing entries to the owner's Capital account. Prepare a post closing trial balance.

ACCOUNT NAME	INCOME STATEMENT		BALANCE SHEET	
	DEBIT	CREDIT	DEBIT	CREDIT
Cash			8,000	
Accounts Receivable			10,000	
Supplies			5,000	
Equipment			30,000	
Accum. Depr.—Equip.				10,000
Accounts Payable				9,000
N. Robinson, Capital				30,000
N. Robinson, Drawing			2,000	
Fees Income		21,000		
Salaries Expense	11,200			
Rent Expense	800			
Supplies Expense	1,000			
Depr. Exp.—Equip.	<u>2,000</u>			
Totals	15,000	21,000	55,000	49,000
Net Income	<u>6,000</u>			<u>6,000</u>
	<u>21,000</u>	<u>21,000</u>	<u>55,000</u>	<u>55,000</u>

Accounting I Answer Key

- | | | |
|-------|-------|-------|
| 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

- | | | |
|-------|-------|-------|
| 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

- | | | |
|-------|-------|-------|
| 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 |

ACCOUNTING II PRODUCTION ANSWER KEY

The answer key will vary according to software used.

Accounting II AK—Problem 1

GENERAL JOURNAL				PAGE 9
DATE	DESCRIPTION	P.R.	DEBIT	CREDIT
20X4				
Jan. 5	Office Equipment		5,248	
	Cash			5,248
April 1	Depr. Exp.—Warehouse Equip.		750	
	Accum. Depr.—Ware. Equip.			750
1	Cash		5,000	
	Accum. Depr.—Ware. Equip.		9,750	
	Loss on Sale of Equipment		1,250	
	Warehouse Equipment			16,000
July 1	Depr. Exp.—Office Equip.		250	
	Accum. Depr.—Office Equip.			250
1	Cash		2,000	
	Accum. Depr.—Office Equip.		1,500	
	Office Equipment			3,000
	Gain on Sale of Equipment			500
20X5				
Jan. 2	Office Equipment (new)		14,000	
	Accum. Depr.—Office Eq.(old)		8,000	
	Office Equipment (old)			12,000
	Cash			10,000
4	Warehouse Equipment (new)		25,000	
	Accum. Depr.—Ware. Eq. (old)		16,000	
	Loss on Sale of Equipment		1,000	
	Warehouse Equipment (old)			23,000
	Cash			19,000

2. ANS:

GENERAL JOURNAL				PAGE 5
DATE	DESCRIPTION	P.R.	DEBIT	CREDIT
20X4				
May 16	Social Security Tax Payable		1,625	
	Medicare Tax Payable		375	
	Employee Income Tax Payable		1,500	
	Cash			3,500
	Paid payroll taxes			

3. ANS:

GENERAL JOURNAL

DATE	DESCRIPTION	P.R.	DEBIT	CREDIT
	Closing Entries			
20X5				
Mar. 31	Fees Income		21,000	
	Income Summary			21,000
31	Income Summary		15,000	
	Salaries Expense			11,200
	Rent Expense			800
	Supplies Expense			1,000
	Depr. Exp.—Equip.			2,000
31	Income Summary		6,000	
	N. Robinson, Capital	301		6,000
31	N. Robinson, Capital	301	2,000	
	N. Robinson, Drawing			2,000

GENERAL LEDGER

ACCOUNT: N. Robinson, Capital

ACCOUNT NO. 301

DATE	EXPLANATION	P. R.	DEBIT	CREDIT	BALANCE DEBIT	CREDIT
20X5						
Mar. 1	Balance					30,000
31	Closing	J3		6,000		36,000
31	Closing	J3	2,000			34,000

ROBINSON COMPANY Postclosing Trial Balance March 31, 20X5

ACCOUNT NAME	DEBIT	CREDIT
Cash	8,000	
Accounts Receivable	10,000	
Supplies	5,000	
Equipment	30,000	
Accumulated Depr.—Equipment		10,000
Accounts Payable		9,000
N. Robinson, Capital		34,000
Totals	<u>53,000</u>	<u>53,000</u>