**UIL ACCOUNTING**

**State 2012-S**

**Group 1**

**For questions 1 through 12, write on your answer sheet how each item is closed (or not closed) at the end of the fiscal year using the following code:**

**DR = close the account with a debit**

**CR = close the account with a credit**

**NC = this item is either not closed or it is not an account**

1. Interest Receivable 7. Paid-in Capital in Excess of Par--Common

2. Preferred Stock 8. Interest Expense

3. Dividends—Common 9. Unearned Revenue

4. Discount on Notes Payable 10. Accumulated Depreciation--Equipment

5. Retained Earnings 11. Bad Debt Expense

6. Gain on Plant Assets 12. Allowance for Uncollectible Accounts

**Group 2**

**Peanuts Corp has the following information about an item it sells for $22 each. During the year the company sold 84 units.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Number of**  **Units** | **Cost per Unit** | **Extended Amount** |
| **Jan 1** | **Beginning Inventory** | **7** | **8.45** | **59.15** |
| **Jan** | **Purchase** | **15** | **8.60** | **129.00** |
| **Mar** | **Purchase** | **25** | **8.65** | **216.25** |
| **Apr** | **Purchase** | **14** | **8.70** | **121.80** |
| **June** | **Purchase** | **9** | **8.75** | **78.75** |
| **July** | **Purchase** | **16** | **8.80** | **140.80** |
| **Nov** | **Purchase** | **6** | **8.90** | **53.40** |
| **Dec** | **Purchase** | **5** | **8.95** | **44.75** |
|  |  | **97** |  | **843.90** |

**For questions 13 and 14, write the identifying letter of the correct amount on your answer sheet.**

13. What is the amount of gross profit using the LIFO inventory valuation method?

A. $110.75 C. $728.15 E. $888.35 G. $1,114.85

B. $115.75 D. $733.15 F. $893.35 H. $1,119.85

\*14. What is the amount of cost of merchandise sold using the FIFO inventory valuation

method?

A. $110.75 C. $728.15 E. $888.35 G. $1,114.85

B. $115.75 D. $733.15 F. $893.35 H. $1,119.85

**Group 3**

**For question #15, write the correct amount on your answer sheet. Captain Kangaroo Company has three employees who are paid weekly as follows:**

|  |  |
| --- | --- |
| **Bunny** | **$12 per hour with overtime for hours worked over 40 hours in a week at a rate of time and a half** |
| **Mr. Green Jeans** | **$675 salary per week** |
| **Mr. Moose** | **$600 salary per week plus 1.25% commission on sales** |

**Last week each employee worked standard hours except Bunny who worked 53 hours. Mr. Moose sold $9,920 of merchandise.**

15. What is the total gross pay for the week on the Payroll Register for all three

employees?

**Group 4**

**Use the following information for questions 16 and 17. Write the correct amount on your answer sheet. Payroll tax expense per employee is based on the following:**

|  |  |
| --- | --- |
| **Social Security** | **6.2% on gross earnings up to $106,800** |
| **Medicare** | **1.45% on all earnings** |
| **Federal Unemployment Tax** | **.8% on first $7,000 of gross earnings** |
| **State Unemployment Tax** | **1.6% on first $9,000 of gross earnings** |

16. An employee has cumulative gross wages of $6,600 in the first quarter. In the

second quarter, if the current gross wages are $2,160, what is the total amount

of employer’s payroll tax expense on this employee for the second quarter only?

\*17. A second employee has cumulative gross wages of $6,985 in the first quarter. In

the second quarter, if current gross wages are $2,020, what is the total amount of

employer’s payroll tax expense on this employee for the second quarter only?

**Group 5**

**Consider the following information about a plant asset for question #18, and write the identifying letter of the correct response on your answer sheet.**

|  |  |
| --- | --- |
| **Original Cost** | **$73,600** |
| **Disposal Value** | **$4,300** |
| **Date Purchased** | **May 3, 2008** |
| **Estimated Useful Life** | **7 years** |
| **Depreciation Method** | **Straight-Line** |
| **Asset Sold Date** | **February 28, 2012** |
| **Asset Sold for** | **$41,725** |

18. The amount of gain on the sale of the asset is

A. $4,425 B. $6,075 C. $9,375 D. $27,575 E. $35,650

**Group 6**

**Randy, Jennifer, and Steven decided to form a partnership. The partners plan to invest the following assets in the business:**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Randy** | **Jennifer** | **Steven** |
| **Cash** | **20,000** | **20,000** |  |
| **Supplies** |  | **1,000** |  |
| **Equipment** |  | **39,000** |  |
| **Building** |  |  | **150,000** |
| **Land** |  |  | **20,000** |

**For questions 19 through 21, write the correct amount on your answer sheet. Consider each question as an independent situation.**

19. The partners share net income in the same ratio as the beginning balances of

their capital accounts. If the net income is $142,000, what amount of net income

should be allocated to Randy?

20. The partners Randy, Jennifer, and Steven share net income based on the amount of

time they spend working in the business, which is expressed as 4:5:1 respectively. If the net income is $134,000, what amount of net income should be

allocated to Steven?

21. If the net income of the partnership is $46,800 and the partnership agreement

does not state how net income is to be divided, what amount of net income

should be allocated to Jennifer?

**Group 7**

**Write the identifying letter of the following account titles that best fulfills each accounting entry in items 22 through 27.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **A** | **Cash in Bank** |  | **E** | **Accounts Payable** |
| **B** | **Petty Cash** |  | **F** | **Purchases** |
| **C** | **Accounts Receivable** |  | **G** | **Cost of Merchandise Sold** |
| **D** | **Merchandise Inventory** |  | **H** | **Sales** |

**Answer items 22 through 25 assuming the company policy is to use the perpetual inventory method.**

|  |  |  |
| --- | --- | --- |
|  | **Debit** | **Credit** |
| Purchased merchandise for resale on account | #22 | XXX |
|  |  |  |
| Sold merchandise to a customer on account (selling price) | XXX | #23 |
| Same sales entry as preceding (cost portion of transaction) | **\*** #24 | **\*** #25 |

**Answer items 26 and 27 assuming the company policy is to use the periodic inventory method.**

|  |  |  |
| --- | --- | --- |
|  | **Debit** | **Credit** |
| Purchased merchandise for resale on account | #26 | XXX |
| Sold merchandise to a customer on account | #27 | XXX |

**Group 8**

**Cinderella, Inc. estimated its corporate federal income tax for the year 2011. Cinderella made four payments to the IRS in 2011 for $20,000 each and debited Federal Income Tax Expense and credited Cash in Bank for each payment.**

**The CPA for Cinderella prepared an end-of-year (12-31-11) work sheet. In a separate calculation, the CPA determined the Income Statement column totals excluding Federal Income Tax Expense, thus arriving at net income before federal income tax expense as follows: Income Statement Debit column subtotal of $730,562 and an Income Statement Credit column subtotal of $987,462.**

**The corporate federal income tax rates for 2011 are as follows:**

|  |  |
| --- | --- |
| **15% of net income before taxes** | **Zero to $50,000** |
| **Plus 25% of net income before taxes** | **$50,000 to $75,000** |
| **Plus 34% of net income before taxes** | **$75,000 to $100,000** |
| **Plus 39% of net income before taxes** | **$100,000 to $335,000** |
| **Plus 34% of net income before taxes** | **Over $335,000** |

**For questions 28 through 33, write the identifying letter of the best response on your answer sheet.**

28. What is the total amount of corporate Federal Income Tax Expense that the

corporation will report on its Income Statement for the year ended 12-31-11?

A. $3,441 B. $20,191 C. $80,000 D. $83,441 E. $100,191

29. The adjusting journal entry for corporate federal income tax expense for 2011

includes a:

A. credit to Federal Income Tax Payable

B. credit to Federal Income Tax Expense

C. debit to Cash in Bank

D. debit to Federal Income Tax Payable

30. What is the balance of Federal Income Tax Payable after the 12-31-11 adjustment

is posted?

A. zero B. $3,441 C. $20,191 D. $80,000 E. $83,441 F. $100,191

31. Federal Income Tax Payable is classified on the financial statements as a/an

A. income tax expense item C. deferred revenue

B. long-term liability D. current liability

\*32. What is Net Income after Federal Income Tax as reported on the income statement

for the year ended 12-31-11?

A. $156,709 B. $173,459 C. $176,900 D. $236,709 E. $253,459 F. $256,900

\*33. What is the Income Statement Debit column subtotal before Net Income after

Federal Income Tax is written on the work sheet?

A. $173,459 B. $256,900 C. $730,562 D. $814,003 E. $987,462

**Group 9**

**For questions 34 through 39, write the identifying letter of the best response on your answer sheet.**

\*34. Nancy is considering purchasing stock in one of three companies. She has

gathered the following information about the companies:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Tango, Inc.** | **Waltz, Inc.** | **Twist, Inc.** |
| **Earnings Per Share** | **$2.41** | **$0.81** | **$3.84** |
| **Current Market Value Per Share** | **$31.12** | **$8.43** | **$47.57** |

If all other company considerations are comparable, which stock will be more

attractive to Nancy after she calculates the price-earnings ratio for each company?

A. Tango, Inc. B. Waltz, Inc. C. Twist, Inc.

35. The Common Stock account of Bluto, Inc. had a balance of $175,875. The balance

in the account called Paid-In Capital in Excess of Par—Common is $70,350. The

common stock has a par value of $7.50. At the end of the fiscal year 2011, the

corporation had net income of $74,695. The board of directors declared a $1.56

cash dividend per share of common stock on the last day of the fiscal year 2011 to

be paid in January of 2012. How much of the 2011 net income was retained by the

corporation after the dividend was declared?

A. $4,345 C. $30,830 E. $38,113

B. $23,480 D. $36,582 F. $41,865

36. Olive, Inc. began operations and all stock was issued on opening day of public

trading. The financial statements at the end of the first year included the following:

|  |  |
| --- | --- |
| **Preferred $6 Stock, $100 par value** | **$800,000** |
| **Common Stock, $8 par value** | **$114,000** |
| **Paid-in Capital in Excess of Par--Common** | **$7,125** |
| **Retained Earnings** | **$91,628** |

What was the selling price per share of the common stock?

A. $6 B. $8 C. $8.50 D. $10 E. $11.50 F. $14

37. Popeye Co. carried an average monthly inventory of $43,000 during the year 2011.

When the company prepares monthly interim financial statements, the accountant

estimates ending inventory using the gross profit method. Popeye historically has

averaged a gross profit percentage of 41%. Following are the normal balances in

the general ledger on 1-31-12:

|  |  |
| --- | --- |
| **Net Sales** | **76,600** |
| **Beginning Inventory, January 1, 2012** | **42,960** |
| **Net Purchases** | **46,549** |

What is the estimated ending inventory on 1-31-12 using the gross profit method?

A. $31,406 B. $36,699 C. $43,000 D. $44,315 E. $45,194 F. $58,103

**Group 9 continued**

\*38. The general ledger of Village, Inc. included the following on January 1, 2011:

|  |  |
| --- | --- |
| **Preferred 4% Stock, $100 par** | **$100,000** |
| **Common Stock, $9 par** | **$132,075** |
| **Paid-in Capital in Excess of Par—Common** | **$32,285** |
| **Retained Earnings** | **$220,125** |

On March 10, 2011 common stock was issued and the Cash account was debited

$21,350 while the account called Paid-In Capital in Excess of Par—Common was

credited $5,600. On November 15, 2011 the board of directors approved the

annual cash dividend of $28,966 for both preferred and common stockholders. The

dividend is payable to stockholders of record as of December 15, 2011 with

payment on Feb. 1, 2012. What is the amount of the dividend paid on each share

of common stock?

A. $1.52 B. $1.66 C. $1.70 D. $2.20 E. $3.20 F. $4.00 G. $9.00

39. The accounting equation is

A. Gross minus withholding equals net.

B. Interest equals principal times rate times time.

C. Assets equal liabilities plus stockholders’ equity.

D. Working capital equals current assets minus current liabilities.

E. Assets equal liabilities plus creditors’ equity.

**Group 10**

**Refer to Table 1 at the bottom of page 9 for questions 40 through 52.**

**For questions 40 through 45, write the identifying letter of the best response on your answer sheet using the following code. A response may be used more than once.**

**A. $652.50 C. $2,610 E. $50,895 G. $52,200**

**B. $1,305 D. $49,590 F. $51,547.50**

40. What is the face value of the note?

41. What is the maturity value of the note?

42. What is the amount of the bank discount?

43. What is the amount of the proceeds?

44. What amount is credited to Notes Payable?

45. On the issue date what is the book value of Notes Payable?

**Group 10 continued**

**For questions 46 through 52 continue to use Table 1. Write the identifying letter of the best response on your answer sheet.**

46. On the issue date George will debit which of the following accounts for the bank

discount?

A. Discount Expense E. Forfeit on Notes Payable

B. Notes Payable F. Proceeded Note Payable

C. Markdown Expense G. Discount on Notes Payable

D. Markdown on Notes Payable H. Interest Expense

47. On the issue date George will record the bank discount in which account type?

A. asset C. contra liability E. liability

B. contra asset D. cost of merchandise sold F. expense

48. In theory on the issue date the bank discount is a/an

A. prepaid expense C. accrued expense

B. accrued revenue D. unearned revenue

49. George repaid the bank on the maturity date which was:

A. October 6, 2011 C. December 31, 2011 E. January 6, 2012

B. October 7, 2011 D. January 5, 2012 F. February 6, 2012

50. When a noninterest-bearing note payable matures in the same fiscal year in which it

was issued, the amount of the bank discount in the accounting records of the

borrower is

A. transferred to a contra expense account

B. recognized as income

C. classified as a negotiable instrument

D. recognized as an expense

E. recalculated at the current market rate

F. reimbursed by the bank

\*51. In order to follow generally accepted accounting principles using the accrual basis of

accounting, when George prepares the adjusting entry on December 31, 2011

regarding this non-interest bearing note payable which of the following is correct?

A. Interest Income will be credited for $36.25

B. Interest Expense will be debited for $36.25

C. Interest Income will be credited for $1,268.75

D. Interest Expense will be debited for $1,268.75

E. Interest Income will be credited for $1,305

F. Interest Expense will be debited for $1,305

\*52. Assuming the preceding adjusting entry is recorded correctly, what is the book value

of this note on the Balance Sheet dated December 31, 2011?

A. zero C. $50,931.25 E. $52,200

B. $50,895 D. $52,163.75 F. $53,505

**Group 11**

**Refer to Table 2 on pages 10 and 11 and to the work sheet on page 12. For questions 53 through 59, write the identifying letter of the best response on your answer sheet.**

53. On the Balance Sheet dated December 31, 2011 the total of current assets is

A. $47,022 B. $72,875 C. $96,222 D. $98,847 E. $100,062

54. On the Balance Sheet dated December 31, 2011 the total of current liabilities is

A. $91,976 B. $92,200 C. $92,606 D. $122,200 E. $137,700

55. What amount of supplies was purchased during 2011?

A. zero B. $2,795 C. $3,070 D. $8,137 E. $8,412 F. $11,207

56. What was the balance of Prepaid Insurance on January 1, 2011?

A. zero B. $795 C. $930 D. $3,585 E. $3,720 F. $4,515

57. The insurance premium paid on March 31, 2010 should be allocated to expense in

the following years:

**2010** **2011** **2012**

A. $3,180 $ 0 $ 0

B. $2,790 $ 930 $ 0

C. $2,385 $ 795 $ 0

D. $ 0 $2,790 $930

\*58. The Return on Stockholders’ Equity for 2011 was

A. 0.9% B. 9% C. 45% D. 50% E. 51% F. 90% G. 190% H. 290%

\*59. The current ratio calculated from information found on the Balance Sheet dated

December 31, 2011 and rounded to the nearest hundredth was \_\_?\_\_ to 1.

A. 0.51 B. 0.52 C. 1.01 D. 1.04 E. 1.07

**Continue to refer to Table 2 and the work sheet. For questions 60 through 72, write the correct amount on your answer sheet.**

What was the amount in the Unadjusted Trial Balance for each of the following?

\*\*60. Cash in Bank

61. Accounts Receivable

62. Allowance for Uncollectible Accounts

63. Merchandise Inventory

64. Supplies

65. Prepaid Insurance

66. Equipment

67. Accumulated Depreciation—Equipment

\*68. Accounts Payable

69. Capital Stock

\*70. Retained Earnings

\*71. Sales

\*72. Purchases

**Group 11 continued**

**Continue to refer to Table 2 and the work sheet. For questions 73 through 80, write the correct amount on your answer sheet.**

What was the amount in the Adjusted Trial Balance for each of the following?

73. Allowance for Uncollectible Accounts

74. Accumulated Depreciation—Equipment

\*\*75. Land

76. Interest Payable

77. Dividends Payable

78. Unearned Revenue

79. Dividends

80. Income Summary

**This is the end of the exam. Please hold your answer sheet and exam until the contest director asks for them. Thank you!**

***Table 1***

**(for questions 40 through 52)**

**On July 9, 2011 George & Company borrowed $52,200 from Infinity Bank**

**by issuing a 180-day, noninterest-bearing note payable that the bank**

**discounted at 5%.**

**George & Company has the following accounting policies and procedures:**

**1. Uses the accrual basis of accounting**

**2. Fiscal year-end December 31**

**3. Adjusting entries are prepared only at fiscal year-end**

**4. Closing entries are prepared only at fiscal year-end**

**5. Does not use reversing entries**

**6. Uses 360-day year for promissory note calculations**

***Table 2***

**(for questions 53 through 80)**

**For this problem, disregard sales taxes, payroll taxes, and corporate income tax. Most operational expenses are combined only because of space limitations on the work sheet form.**

**Company Policies:**

* Uses the accrual basis of accounting
* Uses 360-day year for promissory note calculations
* Purchases of supplies and insurance are posted to respective asset accounts.
* Adjusting entries, closing entries, and financial statements are prepared only at the end of the fiscal year which is December 31. All prior year adjusting entries were journalized and posted correctly.
* Actual customer accounts are written off only after numerous attempts to collect.

**Other Information:**

* The account called Supplies had a balance of $2,795 on January 1, 2011.
* There is only one insurance policy. It is always a twelve month policy and was paid as follows: March 31, 2010 for $3,180 and March 31, 2011 for $3,720
* On December 29, 2011 one customer account for $4,100 was written off as uncollectible. The Aging of Accounts Receivable was prepared on 12-31-11:

|  |  |  |  |
| --- | --- | --- | --- |
| **Age Group** | **Amount** | **Estimated %**  **Uncollectible** | **Estimated Uncollectible Amount** |
| Not Yet Due | 18,300 | 2% |  |
| 1-30 days past due | 1,200 | 4% |  |
| 31-60 days past due | 250 | 10% |  |
| 61-90 days past due | 440 | 20% |  |
| over 90 days past due | 860 | 80% |  |

* Allowance for Uncollectible Accounts had a credit balance of $4,675 on 01-01-11
* The Equipment account contains the following asset groups:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **Date** | **Original Cost** | **Est. Life**  **in Years** | **Salvage**  **Value** | **Depr.**  **Method** |
| Fixtures | 04-01-08 | $57,000 | 7 | $4,500 | SL |
| Computer Eq. | 01-01-09 | $32,000 | 5 | $5,000 | DDB |

***Table 2 (continued)***

* The company uses the periodic inventory system and the specific identification method. The physical inventory on 12-31-11 consists of:

|  |  |
| --- | --- |
|  | **Per Unit** |
| 10 units purchased for | $160 |
| 140 units purchased for | $165 |
| 115 units purchased for | $168 |
| 13 units purchased for | $175 |
| 9 units purchased for | $170 |

* Tumbleweed purchased land for future use in the year 2010.
* On November 29, 2011, Tumbleweed borrowed $42,000 from Infinity Bank by signing a 90-day, 6% interest-bearing promissory note. (This is the only time the company has ever had to borrow money from any source.) The bookkeeper for Tumbleweed recorded correctly the deposit of the loan amount, but knows nothing about end-of-year accruals and deferrals. The maturity value is $42,630.
* On December 26, 2011 a customer paid Tumbleweed a deposit of $1,500 for a special order of merchandise. No one had ever placed a special order before, so the bookkeeper did not know how to handle this transaction. So the payment was recorded like a regular sale. Tumbleweed contacted a supplier who may be able to produce the item, but cannot confirm this until January 5, 2012. The customer was updated regarding the progress of the special order and will wait for word in January.
* Tumbleweed, Inc. is a closely held corporation with 20,000 shares of common stock authorized with a par value of $10 each. In 2008 Tumbleweed issued the following shares at par value:

|  |  |
| --- | --- |
| **Name** | **# of shares** |
| Barbara | 1,000 |
| Ben | 1,000 |
| Hunter | 500 |
| Campbell | 500 |

* On December 15, 2011 the board of directors declared a cash dividend of $12 per share payable to the shareholders on January 15, 2012. This is the first time since the corporation was formed that the board of directors declared a dividend. Therefore, the bookkeeper did not know to make any kind of journal entry in December.
* There were no transactions posted to Retained Earnings during 2011.
* Financial statement analysis for the year ended 12-31-11 indicated the following:
  + the gross profit percentage was 45% (dollar amount of gross profit $108,279)
  + the quick ratio was 0.51 to 1
  + the ending balance on the Statement of Stockholders’ Equity dated

December 31, 2011 was $54,500.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Tumbleweed, Inc.** | | | | | | | | | | |
| **Work Sheet** | | | | | | | | | | |
| **For the Year Ended December 31, 2011** | | | | | | | | | | |
| **Account Title** | **Trial Balance** | | **Adjustments** | | **Adjusted Trial Balance** | | **Income Statement** | | **Balance Sheet** | |
|  | **Debit** | **Credit** | **Debit** | **Credit** | **Debit** | **Credit** | **Debit** | **Credit** | **Debit** | **Credit** |
| **Cash in Bank** |  |  |  |  |  |  |  |  |  |  |
| **Accounts Receivable** |  |  |  |  |  |  |  |  |  |  |
| **Allow. for Uncol. Accts.** |  |  |  |  |  |  |  |  |  |  |
| **Merchandise Inventory** |  |  |  |  |  |  |  |  |  |  |
| **Supplies** |  |  |  |  | **3,070** |  |  |  |  |  |
| **Prepaid Insurance** |  |  |  |  |  |  |  |  |  |  |
| **Equipment** |  |  |  |  |  |  |  |  |  |  |
| **Accum. Depr.—Equip.** |  |  |  |  |  |  |  |  |  |  |
| **Land** |  |  |  |  |  |  |  |  |  |  |
| **Notes Payable** |  |  |  |  |  |  |  |  |  |  |
| **Interest Payable** |  |  |  |  |  |  |  |  |  |  |
| **Accounts Payable** |  |  |  |  |  |  |  |  |  |  |
| **Dividends Payable** |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| **Capital Stock** |  |  |  |  |  |  |  |  |  |  |
| **Retained Earnings** |  |  |  |  |  |  |  |  |  |  |
| **Dividends** |  |  |  |  |  |  |  |  |  |  |
| **Income Summary** |  |  |  | **2,625** |  |  |  |  |  |  |
| **Sales** |  |  |  |  |  |  |  |  |  |  |
| **Purchases** |  |  |  |  |  |  |  |  |  |  |
| **Bad Debt Expense** |  |  |  |  |  |  |  |  |  |  |
| **Supplies Expense** |  |  |  |  | **8,137** |  |  |  |  |  |
| **Insurance Expense** |  |  |  |  |  |  |  |  |  |  |
| **Depreciation Expense** |  |  |  |  |  |  |  |  |  |  |
| **Operating Expenses** | **38,585** |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  | **192,128** |
| **Net Income or <Loss>** |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |