**UIL ACCOUNTING**

**District 2014-D1**

**Group 1**

**Brice Haile owns Haile Cleaning Services which provides residential and commercial building cleaning services to the public. Brice has been in business for many years.**

**His fiscal year ends December 31, at which time adjusting entries and financial statements are prepared for the entire year. Regular operating transactions are journalized daily and posted no less often than monthly. Closing entries are prepared annually. When work is performed, a bill is presented to the customer on the day of service.**

**Company procedure is to record purchases of cleaning supplies and insurance in asset accounts and adjust for ending supplies on hand and unexpired insurance at the end of the fiscal year.**

**For each transaction, indicate the chart of account section for the account that is debited or credited. The question numbers (1 through 11) are in the debit and credit columns below. Write the identifying letter from the following chart on your answer sheet.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **A** | **Asset** |  | **D** | **Revenue** |
| **B** | **Liability** |  | **E**  | **Expense** |
| **C** | **Capital** |  |  |  |

|  |  |  |
| --- | --- | --- |
|  | **Debit** | **Credit** |
| Issued a check for the December rent | **#1** | **xxxxxxx** |
| Purchased on account cleaning supplies from Acme Cleaning Supply Company. | **#2** | **#3** |
| Bought a commercial vacuum cleaner on account from Dodge Equipment Co. | **#4** | **xxxxxxx** |
| Received a check from a customer for work performed and invoiced two months ago. | **xxxxxxx** | **#5** |
| Employees of Haile’s cleaned three offices on this day. | **#6** | **#7** |
| Issued a check for owner’s personal use. | **#8** | **xxxxxxx** |
| Paid Acme Cleaning Supply Company in full. | **#9** | **xxxxxxx** |
| Issued a check for general liability insurance coverage that is scheduled to go into effect in January of next year. | **#10** | **#11** |

**Group 2**

An individual started a new business on May 1, 2010. At that time the individual invested his personal life savings in the business. In 2010 revenues were $63,487 expenses were $81,694, and there were no owner withdrawals.

In 2011 the owner made an additional capital contribution of $25,000 and made no withdrawals. Total revenues for 2011 were $128,697 and expenses were $137,761.

In 2012 the owner made no additional contributions of capital. Total revenues for 2012 were $341,885 and expenses were $320,411. During 2012 the owner withdrew $15,000.

In 2013 the owner made an additional capital contribution of $8,000. Total revenues for 2013 were $362,405 and expenses were $281,672. The owner determined from the financial statements that his original investment in 2010 was finally indicating a high rate of return on his investment so he withdrew $100,000 for personal use. The ending capital account balance on December 31, 2013 after closing entries were posted was $167,936.

**For question #12, write the correct amount on your answer sheet.**

12. What was the amount of the owner’s original investment in the business in 2010?

**Group 3**

**For questions 13 through 20 write on your answer sheet “True” if the statement is true; write “False” if the statement is false.**

13. Permanent accounts are continuous from one accounting period to the next where

 the dollar balances at the end of one accounting period become the dollar balances

 for the beginning of the next accounting period.

14. A slide error occurs when a decimal point is moved by mistake.

15. A fiscal year is an accounting period of twelve months that may or may not end on

 December 31.

16. Posting is the process of transferring information from the general ledger to the trial

 balance.

17. A balance sheet may be prepared in account form or report form.

18. The account used to summarize the owner’s equity in a business is called capital.

19. The accounting concept, Going Concern, is applied when financial statements are

 prepared with the expectation that a business will remain in operation until a

 specified fixed point in the future.

20. GAAP are standards and rules that have not been developed by any one group of

 rules makers, but have instead evolved over time and from many sources.

**Group 4**

**For questions 21 through 25, write the identifying letter of the best response on your answer sheet.**

**On the first day of June, the Petty Cash account had a balance of $150, which agreed to the amount of actual cash in the petty cash box. During the month the fund was increased by $50. Actual vouchers in the box on June 30 before replenishment totaled $184.20. At the time of replenishment on June 30, it was determined that the fund was short by $1.47.**

21. Prior to June, the entry to first establish the petty cash fund consisted of

 A. a credit to the Petty Cash account for $150

 B. a debit to the Petty Cash account for $150

 C. a credit to Cash in Bank for $200

 D. a credit to Cash in Bank for $50

 E. both A and B

22. The entry during the month of June to record the increase in the Petty Cash fund

 included a

1. debit to the Petty Cash account for $51.47
2. credit to the Petty Cash account for $51.47
3. credit to the Petty Cash account for $50.00
4. debit to the Petty Cash account for $50.00

23. The entry on June 30 to replenish the petty cash fund would include a

 A. debit to the Petty Cash account for $184.20

 B. credit to the Cash in Bank account for $182.73

 C. credit to the Cash in Bank account for $184.20

 D. credit to the Cash in Bank account for $185.67

24. The entry on June 30 to replenish the petty cash fund would include a

 A. debit to the Petty Cash account for $1.47

 B. debit to Cash Short and Over for $1.47

 C. credit to Cash Short and Over for $1.47

 D. credit to Petty Cash for $1.47

25. The actual amount of cash in the petty cash box on June 30 prior to the

 replenishment was

 A. zero E. $17.27

 B. $1.47 F. $34.20

 C. $14.33 G. $182.73

 D. $15.80 H. $184.20

**Group 5**

**The following rates and maximums per employee per year are in effect:**

|  |  |
| --- | --- |
| **Social Security** | **6.2% on gross earnings up to $113,700** |
| **Medicare** | **1.45% on all earnings** |
| **Employee Federal Income Tax** | **15% on all earnings** |
| **Employee State Income Tax** | **2% on all earnings** |
| **Federal Unemployment Tax** | **.8% on first $7,000 of gross earnings** |
| **State Unemployment Tax** | **2.7% on first $9,000 of gross earnings** |
| **Overtime** | **1½ times regular rate for hours worked in excess of 40 hours in a 5-day work week** |

**The applicable employer matching taxes are at the same rate as the employee rate. In this state only employers are subject to unemployment taxes. Any taxes withheld from an employee for state income tax must be remitted by the employer directly to the state. Health insurance premiums are remitted to Green Cross Health Insurance Co.**

**Selected information from a weekly payroll register for one employee is presented below with some amounts intentionally omitted. Prior to this week’s paycheck the employee had accumulated gross earnings of $6,950. The payroll clerk is new to the job and was unsure what to deduct.**

|  |  |
| --- | --- |
| **Gross Earnings:** |  |
|  **Regular** |  |
|  **Overtime (10 hours)** | **180.00** |
|  **Total Gross Earnings** |  |
| **Deductions: ????** |  |
|  **Social Security** |  |
|  **Medicare** |  |
|  **Federal Income Tax** |  |
|  **State Income Tax** |  |
|  **Health Insurance Premium** | **85.00** |
|  **Federal Unemployment Tax** |  |
|  **State Unemployment Tax** |  |
|  **Total Deductions** |  |
| **Net Pay:** |  |

**For questions 26 through 28, write the correct amount on your answer sheet.**

26. What is the correct amount of the employee’s paycheck?

\*27. What is the correct amount of the employer’s payroll tax expense for this employee

 for this week?

28. The employer must pay the liability (for this paycheck) for employee federal income

 tax withheld and the employer and employee portion of Social Security and

 Medicare taxes by the 15th of the following month. What is this amount?

**Group 6**

**Refer to Table 1 on page 9. For questions 29 through 37 write the identifying letter of the best response on your answer sheet.**

29. What is the balance in the capital account after all adjusting entries have been

posted but before any closing entries have been posted?

 A. $22,598 B. $26,598 C. $29,098 D. $31,598 E. $35,598

30. The amount of “blue” in the Income Summary account is

 A. $89,610 B. $90,345 C. $ 90,870 D. $91,775 E. $93,035

31. The amount of “yellow” in the Income Summary account is

 A. $86,965 B. $87,135 C. $87,870 D. $88,395 E. $90,560

32. The amount of “brown” in the capital account is

 A. zero B. $1,950 C. $3,380 D. $29,098 E. $ 35,598

33. The amount of “red” in the capital account is

 A. zero B. $1,950 C. $3,380 D. $5,880 E. $35,598

34. The amount of “purple” in the capital account is

 A. zero B. $880 C. $1,950 D. $2,500 E. $3,880

35. The amount of “green” in the capital account is

 A. $23,218 B. $24,648 C. $29,098 D. $29,978 E. $35,598

36. What was the amount of Merchandise Inventory in the General Ledger at the

 beginning of this fiscal year (January 1, 2013)?

 A. zero B. $16,970 C. $18,400 D. $19,830 E. $23,218

37. What is the State Unemployment Tax rate (expressed as a percentage) for the

 year 2013?

 A. .008% B. 1.5% C. 2.1% D. 7.65% E. 9.2%

**Group 7**

**Refer to Table 2 on page 10. Answer questions 38 through 45 by writing the identifying letter of the best response on your answer sheet.**

38. What amount did customers charge on account in 2013?

 A. zero B. $1,865 C. $12,410 D. $14,275 E. $92,600 F. $94,465

39. Cash sales for 2013 were

 A. zero B. $1,865 C. $12,410 D. $14,275 E. $92,600 F. $94,465

40. Purchases for 2013 equal

 A. $53,092 B. $53,712 C. $54,332 D. $57,382 E. $58,712

**Group 7 continued**

 \*41. Cost of Merchandise Sold for 2013 is equal to

 A. $51,542 B. $52,782 C. $53,712 D. $55,832 E. $57,162

\*42. The amount of net income for 2013 is equal to

 A. $10,628 B. $11,243 C. $12,178 D. $22,967 E. $39,818

\*43. Cost of Merchandise Available for Sale for 2013 is equal to

 A. $65,842 B. $66,462 C. $67,082 D. $70,132 E. $71,462

44. What is the amount of capital in the unadjusted trial balance column of the work

 sheet for the year ending December 31, 2013?

 A. $15,000 B. $30,000 C. $45,000 D. $55,000 E. $60,000 F. $66,249

 \*45. What is the gross profit percentage for 2013?

 A. 42.3% B. 43% C. 44% D. 55.66% E. 57% F. 58.4%

**Group 8**

**Refer to Table 3 on pages 11 and 12, and the work sheet on page 13. For questions 46 through 57, write the correct amount on your answer sheet. These questions refer to the properly completed work sheet.**

What was the balance in each of the following accounts in the unadjusted trial balance?

\*46. Cash in Bank

\*47. Accounts Receivable

48. Supplies

49. Prepaid Insurance

\*50. Accounts Payable

\*\*51. Sales Tax Payable

52. Brent Fine, Drawing

53. Income Summary

\*54. Sales

55. Purchases

56. Salaries Expense

\*57. Payroll Tax Expense

**Group 9**

**Continue to refer to Table 3. For questions 58 through 63, write the correct amount on your answer sheet. These questions refer to the properly completed work sheet.**

What was the balance in each of the following accounts in the adjusted trial balance?

58. Cash in Bank

\*59. Merchandise Inventory

60. Brent Fine, Capital

61. Supplies Expense

62. Insurance Expense

63. Miscellaneous Expense

**Group 10**

**Continue to refer to Table 3. For questions 64 through 73, give the correct amounts that would appear on the income statement for the twelve months ending December 31, 2013 and the balance sheet dated December 31, 2013.**

64. Cost of Delivered Merchandise

65. Cost of Merchandise Sold

66. Cost of Merchandise Available for Sale

67. Gross Profit

\*68. Net Income

69. Net Purchases

\*70. Net Sales

\*71. Total Assets

72. Total Liabilities

73. Total Expenses

**Group 11**

**Continue to refer to Table 3. For questions 74 and 75, write the correct amount on your answer sheet.**

74. What was the total amount of charge sales by customers for the year?

\*\*75. What was the balance in Brent Fine, Capital on December 31, 2013 after all

 closing entries were posted?

**Group 12**

**Continue to refer to Table 3. The following chart represents the bottom three lines of selected columns on the completed work sheet: subtotals before net income or net loss is calculated; the line for net income or net loss; and the line for the respective balancing totals for the income statement columns and the balance sheet columns.**

**For each of the questions 76 through 79 (found in the chart below), write the correct amount on your answer sheet.**

|  |  |  |
| --- | --- | --- |
|  | **Income Statement** | **Balance Sheet** |
|  | **Debit** | **Credit** | **Debit** | **Credit** |
| **Subtotals** | #76 | #77 | #78 | #79 |
| **Net Income or <Net Loss>** | Red | Blue | Green | Yellow |
| **Totals** |  |  |  |  |

**For question 80, write the identifying letter of the best response on your answer sheet.**

80. After the net income or net loss is calculated, indicate in which columns of the work

 sheet the amount would appear in the chart above using colors as indicators.

 A. Red Blue C. Red Green E. Blue Green

 B. Green Yellow D. Red Yellow F. Blue Yellow

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

***Table 1***

**(for questions 29 through 37)**

**The following is taken from Trish Gardner’s work sheet (for the twelve months ending December 31, 2013) from the Income Statement and Balance Sheet columns. All accounts have normal balances. Trish had only one employee (who quit in August) and all payroll taxes were paid before the end of the year 2013.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Account Title** | **Amount** |  | **Account Title** | **Amount** |
| Cash in Bank | 2,743 |  | Sales | 87,135 |
| Accounts Receivable | 650 |  | Sales Returns & Allow. | 735 |
| Prepaid Insurance | 1,240 |  | Purchases | 64,630 |
| Office Supplies | 275 |  | Purchases Returns | 1,260 |
| Office Equipment | 4,600 |  | Insurance Expense | 3,540 |
| Merchandise Inventory | 18,400 |  | Rent Expense | 4,800 |
| Accounts Payable | 4,690 |  | Utilities Expense | 2,580 |
| Trish Gardner, Capital | 29,098 |  | Office Supplies Expense | 951 |
| Trish Gardner, Drawing | 2,500 |  | Salary Expense | 12,000 |
| Income Summary, debit | 1,430 |  | Payroll Tax Expense | 1,109 |

**Trish Gardner, a sole proprietor, uses the following policy when closing the temporary accounts at the end of the fiscal year:**

1. **Close all revenue and contra-purchases accounts in one combined entry.**
2. **Close all expenses, contra-sales accounts, and any cost of merchandise accounts that have debit balances in one combined entry.**
3. **Close the Income Summary account.**
4. **Close the owner’s withdrawals account.**

**In the T-accounts, Blue and yellow (in random order) represent your choices for the closing steps of one and two referenced above. Red and brown are the choices that represent closing step #3. (You must decide how the colors match up to steps 1 through 3). Purple represents closing step #4.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Trish Gardner, Capital** |  |  |  | **Income Summary** |
|  | \_\_\_?\_\_\_ |  | 01-01-13  |  |  |  |
|  | 6,500 |  | activityduring 2013 | 12-31-13 adjusting entry |  |  |
| \_purple\_ |  |  | 12-31-13closing entries | 12-31-13 closing entries | \_\_\_blue\_\_ | \_\_yellow\_\_ |
| \_\_\_red\_\_\_ | \_\_brown\_\_ |  |  |  |
|  |  |  |  |  |  |  |
|  | \_\_green\_\_ |  | 12-31-13balance after closing entries |  |  |  |

**Payroll tax expense per employee is based on the following:**

|  |  |
| --- | --- |
| **Social Security** | **6.2% on gross earnings up to $113,700** |
| **Medicare** | **1.45% on all earnings** |
| **Federal Unemployment Tax** | **.8% on first $7,000 of gross earnings** |
| **State Unemployment Tax** |  **?? % on first $9,000 of gross earnings** |

***Table 2***

**(for questions 38 through 45)**

**The following Post-Closing Trial Balances are for 2012 and 2013. All accounts have normal balances. The business started in 2004.**

|  |  |
| --- | --- |
|  | ***Post-Closing Trial Balance*** |
|  | **12-31-12** | **12-31-13** |
| **Cash** | **21,645** | **43,823** |
| **Accounts Receivable** | **14,275** | **12,410** |
| **Merchandise Inventory** | **12,750** | **14,300** |
| **Total Assets** | **48,670** | **70,533** |
|  |  |  |
| **Accounts Payable** | **3,670** | **4,290** |
| **Bill Alzono, Capital** | **45,000** | **66,243** |
| **Total Liabilities and Capital** | **48,670** | **70,533** |

**Additional Information:**

1. All of the store’s sales are on account to customers (no cash sales).

2. The store makes all purchases of merchandise on credit.

3. The only items purchased on account are merchandise inventory purchases.

4. The owner made one investment in the business during 2013 for $15,000.

**The store’s records of cash receipts and disbursements provided the following information:**

1. Collection of accounts receivable during 2013 was $94,465.

2. Payments on account to suppliers in 2013 were $53,712.

3. Payments for owner withdrawals in 2013 were $5,000.

4. Payments for other cash operating expenses in 2013 were $28,575.

***TABLE 3***

**(for questions 46 through 80)**

**Brent Fine is the owner of Fine’s Auto Parts. The selected amounts that appear on the work sheet on page 13 are accurate.**

**It is company policy to purchase on account only merchandise for resale. All other assets and expenses must be paid for by check at the time of acquisition. Some of the merchandise vendors used in 2013 did not allow purchases on account by Fine’s Auto Parts and required that payment by check be received by the vendor prior to shipment.**

**Acquisitions of supplies and insurance are properly recorded in their respective asset accounts. Adjusting and closing entries are prepared only at the end of the fiscal year, which is December 31.**

**It is company policy to record any necessary journal entries and to update the checkbook balance after the bank reconciliation is completed. Monthly bank service charges vary and are not known until the bank statement is received. Bank charges are posted to the Miscellaneous Expense account.**

**The bookkeeper began preparing the work sheet prior to preparing the bank reconciliation for December. Therefore, any necessary journal entries required from the December bank reconciliation must be recorded as an adjusting entry on the work sheet. This is company policy and must be followed.**

**Refer to Group 5 (on page 4) for the applicable payroll tax rates and maximums.**

**Additional Information:**

* **Cash in Bank:**

 **Balance on the Bank Statement dated 12-27-13………….. $7,438**

 **Bank Service Charge on the bank statement……………… 25**

 **The outstanding checks total………………………………… 1,586**

 **The deposits in transit…………………………………………. 2,784**

 **There are no math errors in the check stubs.**

* **Accounts Receivable:**

 **The General Ledger balance on 1-1-13 was……………….. $10,640**

 **Received on account from customers……………………… 33,793**

 **The Schedule of Accounts Receivable agreed to the controlling account as of**

 **12-31-13**

* **Merchandise Inventory:**

 **January 1, 2013……………………. $12,690**

* **Supplies:**

 **Inventory on January 1, 2013……………………...$ 3,740**

 **Purchased by check during 2013………………… 11,770**

 **Inventory on December 31, 2013…..……………... 4,125**

***Table 3 continued***

* **Prepaid Insurance:**

 **Unexpired as of January 1, 2013…………………. $1,575**

 **Policy purchased by check during 2013……….. 5,016**

 **Unexpired as of December 31, 2013…………….. 2,090**

* **Accounts Payable:**

 **The General Ledger balance on 1-1-13 was………… $ 42,690**

 **Paid on account to vendors…………………………… 124,573**

 **The Schedule of Accounts Payable agreed to the controlling account as of**

 **12-31-13**

* **Owner’s Capital account**

 **Balance on January 1, 2013…………………………………. $20,810**

 **Capital contributions made by the owner in 2013………. 5,000**

* **The owner withdrew $1,200 cash each month during 2013 for personal use.**
* **Of the total gross sales for the year, $182,423 were from cash sales.**
* **The Gross Profit Percentage based on net sales for 2013 is 41%**

* **Purchases of merchandise: cash…………… $ 21,618**

 **on account…… 108,313**

* **Brent Fine contracted with a Certified Public Accountant as an independent contractor for selected bookkeeping and accounting services to be performed for Brent’s business for the year 2013. However, the CPA began the work in January of 2014.**
* **The company employed one person during the year, but she quit in September and the owner did not rehire. The bookkeeper prepared a rough draft of the employee’s Form W-2 and the amount of Social Security tax withheld is $992.**

* **All employer payroll tax expense was paid prior to 12-31-13.**
* **The Sales Tax Payable account has a normal balance in the General Ledger on 12-31-13, but the bookkeeper failed to list the amount on the trial balance of the work sheet.**

UIL Accounting District 2014-D1 -13-

|  |
| --- |
| **Fine’s Auto Parts** |
| **Work Sheet** |
| **For the Year Ended December 31, 2013** |
| **Account Title** | **Trial Balance** | **Adjustments** | **Adjusted Trial Balance** |
|  | **Debit** | **Credit** | **Debit** | **Credit** | **Debit** | **Credit** |
| **Cash in Bank** |  |  |  |  |  |  |
| **Accounts Receivable** |  |  |  |  |  |  |
| **Merchandise Inventory** |  |  |  |  |  |  |
| **Supplies** |  |  |  |  |  |  |
| **Prepaid Insurance** |  |  |  |  |  |  |
| **Equipment & Store Shelving** | **25,410** |  |  |  |  |  |
| **Accounts Payable** |  |  |  |  |  |  |
| **Sales Tax Payable** |  |  |  |  |  |  |
| **Brent Fine, Capital** |  |  |  |  |  |  |
| **Brent Fine, Drawing** |  |  |  |  |  |  |
| **Income Summary** |  |  |  |  |  | **1,570** |
| **Sales** |  |  |  |  |  |  |
| **Sales Discounts** | **1,451** |  |  |  |  |  |
| **Sales Returns & Allowances** | **3,279** |  |  |  |  |  |
| **Purchases** |  |  |  |  |  |  |
| **Transportation In** | **3,812** |  |  |  |  |  |
| **Purchases Discounts** |  | **4,260** |  |  |  |  |
| **Purchases Returns & Allowances** |  | **3,718** |  |  |  |  |
| **Rent Expense** | **18,000** |  |  |  |  |  |
| **Utilities Expense** | **7,436** |  |  |  |  |  |
| **Advertising Expense** | **2,580** |  |  |  |  |  |
| **Salaries Expense** |  |  |  |  |  |  |
| **Payroll Tax Expense** |  |  |  |  |  |  |
| **Miscellaneous Expense** | **130** |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
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