

Contestant Number \_\_\_\_\_

Time: \_\_\_\_\_

Rank: \_\_\_\_\_

# FUNDAMENTAL ACCOUNTING (01) Regional – 2012

**Multiple Choice** (15 @ 2 points each) \_\_\_\_\_ (30 pts)

**Accounting Calculations** (10 @ 3 points each) \_\_\_\_\_ (30 pts)

## **Production Portion**

Problem 1: Journalizing \_\_\_\_\_ (98 pts)

Problem 2:

Part A– Income Statement \_\_\_\_\_ (38 pts)

Part B – Balance Sheet \_\_\_\_\_ (49 pts)

**TOTAL POINTS** \_\_\_\_\_ (245 pts)

***Failure to adhere to any of the following rules will result in disqualification:***

- 1. Contestant must hand in this test booklet and all printouts.***
- 2. No equipment, supplies or material other than those specified for this event are allowed in the testing area. No previous BPA tests and/or sample tests or facsimile (handwritten, photocopied, or keyed) are allowed in the testing area.***
- 3. Electronic devices will be monitored according to ACT standards.***

No more than ten (10) minutes orientation

No more than 90 minutes testing time

No more than ten (10) minutes wrap-up

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Workplace Skills Assessment Program competition

## General Instructions

You have been hired as the bookkeeper at Business Professional Associates, located at 2424 Capital Avenue, Indianapolis, IN 47201. The business is a sole proprietorship owned by Rose Wilson. Business Professional Associates provides accounting and other financial services to clients. As the bookkeeper, you will complete a number of finance-related tasks for BPA and for its clients. You are expected to maintain confidentiality and integrity while managing the company's financial transactions.

You will have 90 minutes to complete your work. The test consists of three sections., which can be completed in any order.

Attach the label provided by the proctor or write your contestant number to the top of the title page of this test. Your name and/or school name **must not** appear on any work you submit to be graded. Staple all pages **in order** before you turn in your test. Be sure to initial the sign-in sheet when you submit your test to the administrator.

### **Multiple Choice Questions**

1. Which of the following is an advantage of setting up a business as a sole proprietorship?
  - a. lower taxes
  - b. fewer regulations to follow
  - c. easy to expand
  - d. losses limited to investment
  
2. A merchandising business
  - a. provides a service for a fee.
  - b. buys raw materials and transforms them into products to sell.
  - c. buys finished products and resells them to individuals or businesses.
  - d. develops ideas for new products for other businesses.
  
3. In accounting terms, a creditor's claim against the assets of a business is referred to as
  - a. a liability.
  - b. an asset.
  - c. a debit.
  - d. a credit.
  
4. Which of the following Balance Sheet accounts is classified as a liability?
  - a. Supplies
  - b. Accounts Payable
  - c. Prepaid Insurance
  - d. John Smith, Drawing
  
5. When a company writes a check to pay for its annual insurance policy, how will the transaction be journalized?
  - a. Debit Insurance Expense and credit Cash.
  - b. Debit Prepaid Insurance and credit Insurance Expense.
  - c. Debit Prepaid insurance and credit Cash.
  - d. Debit Insurance Expense and credit Prepaid Insurance.
  
6. In accounting terms, the money a business earns is referred to as
  - a. an asset.
  - b. an account receivable.
  - c. revenue
  - d. owner's equity

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7. Which of the following statements correctly describes the organization of a chart of accounts?
  - a. Account numbers assigned must contain at least three digits.
  - b. Account numbers consist of two or more digits that are used for sorting information according to the kinds of reports the business wants and needs.
  - c. Account numbers are assigned based on increments of 10.
  - d. Accounts are alphabetized in a typical chart of accounts.
  
8. The normal balance of a general ledger account is always on the
  - a. debit side of the account.
  - b. credit side of the account.
  - c. the side used to record increases in the account.
  - d. the side of the current balance in the account.
  
9. If a business sold services on account, how will the transaction be recorded?
  - a. Debit Sales and credit Cash
  - b. Debit Accounts Receivable and credit Sales
  - c. Debit Sales and credit Accounts Receivable.
  - d. Debit Cash and credit Sales
  
10. Net Income is achieved when:
  - a. Expenses are greater than revenue
  - b. Assets are greater than liabilities
  - c. Revenue is greater than liabilities
  - d. Revenue is greater than expenses
  
11. A fiscal year is an accounting period that
  - a. must begin on January 1 and end December 31
  - b. can be any 12 month period that begins at a time the company chooses.
  - c. can be any length of time that the company chooses.
  - d. can be less than 12 months.
  
12. The information for the worksheet comes from the:
  - a. Income Statement
  - b. Balance Sheet
  - c. General Journal
  - d. General Ledger
  
13. Which transaction will establish a petty cash account:
  - a. Debit Cash and credit Petty Cash
  - b. Debit Petty Cash and credit Cash
  - c. Debit Miscellaneous Expense and credit Petty Cash
  - d. Debit Petty Cash and credit Miscellaneous Expense

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14. Which of the following phrases correctly states the function of a trial balance?
- a. to prove that all amounts have been correctly posted from the journal
  - b. to locate and correct any errors in the journal
  - c. to prove that the debit and credit ledger balances are equal
  - d. to determine the net income for the accounting period
15. The owner of Business Professional Associates took her personal computer valued at \$400 from her home and transferred it to the business. To record the transaction, what accounts will be debited and credited respectively.
- a. Office Equipment and Owner's Withdrawal
  - b. Owner's Capital and Office Equipment
  - c. Office Equipment and Cash
  - d. Office Equipment and Owner's Capital

**Accounting Calculations**

16. Given the following data, what capital account balance will be reported on the balance sheet?

Beginning capital balance = \$25,000  
Ending drawing account balance = \$7,500  
Net Income for the period = \$16,600

Capital account balance      \$ \_\_\_\_\_

17. Business Professional Associates' bank statement shows a balance of \$3,500. The checkbook has a balance of \$3,150. You wrote three checks during the last four days that do not appear on the bank statement. The checks were for \$124.75, \$300.00, and \$64.25. You made a deposit of \$136.00 yesterday afternoon that is not on the bank statement. The bank charges a \$3.00 monthly service charge. What is the adjusted bank statement/checkbook balance?

Adjusted statement/checkbook balance      \$ \_\_\_\_\_

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**Use the following account information to answer Questions 18-25.**

18. Calculate Business Professional Associates' total assets.

\$ \_\_\_\_\_

19. Calculate Business Professional Associates' total liabilities.

\$ \_\_\_\_\_

20. What amount of the revenue earned has not yet been received?

\$ \_\_\_\_\_

21. Calculate total expenses for the accounting period.

\$ \_\_\_\_\_

Business Professional Associates Account Balances For the Month Ended January 31, 2012		
Acct. No.	Account Name	Account Balance
101	Cash	2,501.00
105	Petty Cash	100.00
110	Accts. Rec.-Sheri Jones	775.00
115	Accts. Rec.-Lisa Delgado	1,525.00
120	Office Supplies	500.00
125	Office Equipment	6,925.25
125	Office Furniture	4,256.00
201	Accts. Pay./Staples, Inc.	1,200.00
205	Accts. Pay./Bank America	5,000.00
301	Rose Wilson, Capital	9,932.25
302	Rose Wilson, Withdrawals	1,000.00
401	Financial Consulting Services	6,500.00
501	Advertising Expense	1,250.00
505	Rent Expense	1,200.00
510	Salary Expense	2,000.00
515	Utilities Expense	600.00

22. What will be the balance of the Income Summary account after the closing entries have been journalized and posted?

\$ \_\_\_\_\_

23. What is Business Professional Associates' net income for the accounting period?

\$ \_\_\_\_\_

24. What was Ms. Wilson's capital at the beginning of this accounting period.

\$ \_\_\_\_\_

25. What will be Ms. Wilson's capital account balance after the closing entries have been journalized and posted?

\$ \_\_\_\_\_

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**PROBLEM 1-Journalizing**

A new client, Chris White has contracted with Business Professional Associates to perform accounting services for Christina's Day Care which she recently established. The majority of the company's transactions will be cash, but two customers have established accounts.

Journalize the following transactions on the General Journal following the list of transactions. A chart of accounts has been established for the business.

Christina's Day Care Chart of Accounts	
Acct. No.	Account Name
101	Cash
105	Petty Cash
110	Accts. Rec.-Shawn Flowers
115	Accts. Rec.-Stacy Wilson
120	Office Supplies
125	Classroom Supplies
130	Playground Equipment
201	Accts. Pay./Play World, Inc.
205	Accts. Pay./Bank America
301	Chris White, Capital
302	Chris White, Withdrawals
401	Childcare Services
501	Advertising Expense
505	Rent Expense
510	Salary Expense
515	Classroom Supplies Expense
520	Office Supplies Expense
525	Utilities Expense

- February 1 Chris White invested \$75,000 to establish Christina's Day Care. Memorandum 10
- February 1 Purchased playground equipment on account from Play World, Inc. \$2,500. Invoice 6210.
- February 2 Issued Check 301 for \$225 to purchase office supplies.
- February 2 Issued Check 302 for \$2,000 for rent.
- February 3 Received and deposited \$750 for the first week's childcare services. Memo 11.
- February 3 Provided childcare on account to Shawn Flowers for \$75. Sales Invoice 2-1.
- February 3 Issued Check 303 for \$100 to establish a petty cash fund.
- February 6 Bought advertising from Indianapolis Monthly Magazine, \$650.00. Check 304

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- February 7 Received \$30 for a one-day childcare service. Receipt 102.
- February 10 Sold child care services for \$125 to Stacy Wilson on account. Sales Invoice 2-2.
- February 10 Received and deposited \$1,000 for the week's childcare services. Memo 12.
- February 13 Paid \$500 on account to Play World, Inc. Check 305
- February 15 Issued Check 306 for \$800 to Gina Thompson, the company's employee.
- February 17 Received and deposited \$1,200 for the week's childcare services. Memo 13
- February 22 Paid electric bill \$275.00 Check 307
- February 28 Chris White, owner, withdrew \$2,000 for personal use. Check 308





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**PROBLEM 2-FINANCIAL STATEMENTS**

**Part A: Prepare an Income Statement**

**Part B: Prepare a Balance Sheet**

Use the following information taken from Professional Business Associates accounting records to prepare an Income Statement and a Balance Sheet for the month ended February 29, 2012.

Cash	\$42,066.00
Petty Cash	200.00
Accounts Receivable-Christina's Day Care	400.00
Accounts Receivable-Key Real Estate, Inc.	2,900.00
Accounts Receivable-Trenton, Inc.	600.00
Accounts Receivable-Barbara's Deli	815.00
Supplies	500.00
Prepaid Insurance	1400.00
Office Equipment	4500.00
Accounts Payable-Professional Marketing, Inc.	600.00
Accounts Payable-ABC Supplies, Inc.	250.00
Accounts Payable-First National Bank	20,250.00
Rose Wilson, Capital	26,200.00
Rose Wilson, Drawing	2,000.00
Financial Consulting Services	7,500.00
Tax Services	1,000.00
Bookkeeping Services	2,570.00
Income Summary	
Advertising Expense	1,150.00
Miscellaneous Expense	38.00
Rent Expense	1,200.00
Supplies Expense	216.00
Utilities Expense	385.00



