

UNIVERSITY INTERSCHOLASTIC LEAGUE
ACCOUNTING EXAM
Regional 2018-R

Do not turn this page until the start signal is given!

All answers MUST be written on your answer sheet. Either upper case or lower case letters are acceptable. Write legibly. Write letters far enough above the line so that (for example) an “E” can be distinguished from an “F”.

For each multiple choice question, write only the identifying letter of the correct answer on your answer sheet.

Acceptable responses (and not case sensitive) for the following are:

DR	=	DR
CR	=	CR
NC	=	NC
True	=	True or T
False	=	False or F

If you choose another response for the examples given above, it will be counted as incorrect.

When an answer contains more than one response, all responses must be correct for the answer to be correct. The correct responses may be listed in any order unless the group instructions say otherwise. An incorrect response among the correct responses will cause your answer to be wrong.

If the answer has zero cents, it is not necessary to write the decimal or the zeroes for cents. A dollar amount with cents must have two decimal places. A required decimal point must be clearly visible and in the correct position.

Including commas in an amount where appropriate is encouraged. Marking a comma in the wrong position will cause your answer to be marked wrong. Failure to use commas will not make your answer wrong.

When there are no choices of answers given (not a multiple choice) and the answer is zero, write the number “0” or the word “zero.”

After the start signal is given, you may remove table pages and any work papers from the staple for convenience. Work papers and the test itself are never reviewed by graders.

UIL ACCOUNTING
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Group 1

Indicate whether each item in questions 1 through 12 is debited or credited during the closing process or whether the account or item is not closed. Write the correct identifying letters (DR or CR or NC) on your answer sheet. This business uses the periodic inventory system.

DR = this account is closed with a debit
CR = this account is closed with a credit
NC = this is not a temporary capital account; or this is not an account

- | | |
|--------------------------------|--|
| 1. a partner's drawing account | 7. Income Summary (net loss) |
| 2. Sales | 8. Accumulated Depreciation—Equipment |
| 3. Cost of Merchandise Sold | 9. Purchases Discounts |
| 4. Transportation In | 10. Book Value of Accounts Receivable |
| 5. Sales Returns & Allowances | 11. Uncollectible Accounts Expense |
| 6. Gain on Plant Assets | 12. Allowance for Uncollectible Accounts |

Group 2

Bosco contracts with utility companies to install underground water lines. Jayco also provides this type of service and needs to sell some of their equipment with the following fair market values for used equipment:

Backhoe	60,000
Trencher	10 000
Excavator	25,000
Tracked Loader	30,000

After much negotiation, Jayco agreed to accept Bosco's offer of \$75,000 for all of the equipment. (Disregard any other possible costs such as sales taxes or delivery costs.) Bosco will depreciate each piece of equipment individually.

For questions 13 through 16, write the identifying letter of the best response on your answer sheet.

13. What is the cost allocated to the Backhoe?
A. \$18,750 B. \$36,000 C. \$49,500 D. \$60,000
14. What is the cost allocated to the Trencher?
A. \$6,000 B. \$10,000 C. \$16,000 D. \$18,750
15. What is the cost allocated to the Excavator?
A. \$6,000 B. \$15,000 C. \$18,750 D. \$25,000
16. What is the cost allocated to the Tracked Loader?
A. \$6,000 B. \$10,000 C. \$18,000 D. \$18,750

Group 3

Stidham Co. carries an average monthly inventory of \$18,000. When the company prepares interim financial statements, the accountant estimates the ending inventory using the gross profit method. Stidham Co. historically has averaged a gross profit percentage of 43%. Following are the normal balances in the general ledger as of January 31, 2018:

Net Sales	84,500
Beginning Inventory, January 1, 2018	18,260
Net Purchases	47,575

For question #17 write the correct amount on your answer sheet.

17. What is the estimated ending inventory on January 31, 2018 using the gross profit method?

Group 4

Straight-line depreciation is used for the following depreciable assets in a farming operation that uses December 31 as its fiscal year end. For questions 18 through 21, write the correct amount or number on your answer sheet. Question numbers are indicated by the bold "Q#".

Description	Months Owned First Year	Original Cost	Estimated Salvage Value	Estimated Useful Life	First Year's Depreciation
Tractor	4	Q#18	8,000	5	7,200
Chisel Plow	7	9,000	1,200	Q#19	455
Cultivator	Q#20	15,180	3,000	7	1,305
Disk Harrow	11	16,000	Q#21	15	825

Continue to use the information above for the tractor, but assume instead that it was purchased on January 1, 2018 and that the farmer uses the double declining-balance method for the tractor. For questions 22 and 23, assume that all adjusting entries are prepared and posted correctly, and write the correct amount on your answer sheet.

*22. What is the book value on December 31, 2020?

*23. What is the amount of accumulated depreciation on December 31, 2019

Group 5

Following is a portion of an incomplete work sheet for the year ended 12-31-17 for a business that began operations on 8-1-16. The balance of Prepaid Insurance on the Post-Closing Trial Balance dated 12-31-16 (previous year) was an amount that represented 7 months of a one-year policy that cost \$4,380. The company has only one insurance policy that renews each year on August 1, but the cost increases each year. In 2018, the company paid \$5,100 for the renewal policy.

	Trial Balance		Adjustments		Income Stmt		Balance Sheet	
	DR	CR	DR	CR	DR	CR	DR	CR
Prepaid Insurance	7,415			4,580				

For questions 24 through 26, refer to the work sheet above and write the identifying letter of the best response on your answer sheet.

24. The other part of the adjusting entry is a debit to
 A. Agnes Dupree, Capital C. Insurance Expense
 B. Income Summary D. Postpaid Insurance
25. The Prepaid Insurance account is usually classified
 A. on the balance sheet as an asset
 B. on the income statement as an asset
 C. on the income statement as an expense
 D. on the income statement as a revenue
26. The \$7,415 represents the value of insurance
 A. expired during the fiscal period
 B. prepaid during the previous fiscal period
 C. prepaid at the beginning of the fiscal period plus purchased during the year
 D. prepaid at the end of the fiscal period

For questions 27 through 31 write the correct amount on your answer sheet.

What is the amount on the work sheet for Prepaid Insurance in the Trial Balance column for each of the following work sheets dated:

27. for the twelve months ended 12-31-16

28. for the twelve months ended 12-31-18

What is the amount on the Post-Closing Trial Balance for each of the following dates:

29. 12-31-16

30. 12-31-17

*31. 12-31-18

Group 6

A retail business began operations on October 1, 2017. The company has a fiscal year end of December 31 and uses a periodic inventory system. The physical inventory on December 31 indicates there are 1,000 units on hand. All units sold were sold for \$40 per unit.

Date		Number of Units	Cost per Unit
October 1	Purchased	1,000	\$20
December 20	Purchased	1,000	\$24

For questions 32 through 37, write the identifying letter of the correct response on your answer sheet.

32. When the FIFO inventory costing method is used, the ending inventory units are priced at
A. \$20 B. \$22 C. \$24 D. \$40 E. \$44
33. When the LIFO inventory costing method is used, the cost of merchandise sold is calculated using the unit price of
A. \$20 B. \$22 C. \$24 D. \$40 E. \$44
34. When the weighted-average inventory costing method is used, the cost of merchandise sold is calculated using the unit price of
A. \$20 B. \$22 C. \$24 D. \$40 E. \$44
35. In a year of falling prices, the inventory method that gives the highest possible amount for ending inventory is
A. Weight-average B. FIFO C. LIFO D. Gross Profit Method
36. What is the amount of Cost of Merchandise Available for Sale?
A. zero B. \$2,000 C. \$20,000 D. \$24,000 E. \$40,000 F. \$44,000
37. Besides FIFO, LIFO, and Weighted-average, which of the following is also an inventory costing method?
A. BILO B. Key Measures C. Dexa Code D. Specific Identification

Continue to use the above given information, but consider each of the following questions independently. For questions 38 through 40, write the correct amount on your answer sheet.

- *38. What is the amount of gross profit when the FIFO method is used and instead there are 800 units in the December 31 physical inventory?
- *39. What is the amount of gross profit when the LIFO method is used and instead there are 1,100 units in the December 31 physical inventory and instead all units sold were sold for \$42 each?
- *40. What is the amount of gross profit when the Weighted-average method is used and instead there are 800 units in the December 31 physical inventory and instead all units sold were sold for \$43 each?

Group 7

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

Social Security	6.2% on gross earnings up to \$128,400
Medicare	1.45% on all earnings
Federal Unemployment Tax	.6% on first \$7,000 of gross earnings
State Unemployment Tax	1.4% on first \$9,000 of gross earnings

The applicable employer matching taxes are at the same rate as the employee rate. In this state, only employers are subject to unemployment taxes.

Eduardo Consulting pays employees semimonthly and has the following payroll information for 2018:

Employee	Accumulated Earnings on March 31	Total Earnings for April 1-15 Pay Period		Total Earnings for April 16-30 Pay Period	
Estes, Bailey	5,560	820		940	
Garcia, Jenna	7,040	1,360		1,480	
Bentley, Don	5,630	860		920	
Grace, Pat	6,920	1,140		1,140	
Donavan, Joe	5,100	800		1,000	
		4,980		5,480	

For questions 41 through 46, write the correct amount on your answer sheet.

41. What is the amount of taxable FUTA earnings for all employees for the April 1-15 pay period?
42. What is the amount of taxable SUTA earnings for all employees for the April 1-15 pay period?
43. What is the amount of taxable FUTA earnings for all employees for the April 16-30 pay period?
44. What is the amount of taxable SUTA earnings for all employees for the April 16-30 pay period?
- *45. What is the total employer's payroll tax expense for all employees for the April 16-30 pay period?

Consider the following question independently from the above employees. After the pay period ended December 15, 2018, an employee has accumulated earnings of \$125,350. For the pay period December 16-31, the employee earned \$5,450.

- *46. What is the total employer's payroll tax expense for this one employee for the year 2018?

Group 8

For questions 47 through 53, write the identifying letter of the best choice on your answer sheet.

47. Which of the following is not an intangible asset?
A. patents B. copyrights C. oxygen tank D. trademarks
48. A patent
A. gets its value from the rights it gives to the patent holder
B. does not have physical substance
C. is usually granted for 20 years
D. only B and C
E. A, B, and C are correct
49. Which of the following is used to account for the part of the cost of a patent that has not yet been amortized?
A. Accumulated Amortization—Patent
B. Patent and the contra-patent account
C. the asset account called Patent
D. Amortization Expense
- *50. Best Manufacturing purchased a patent from Superior Manufacturing on January 1, 2017 for \$40,000. Superior created the patent on January 1, 2005 when the patent was granted for 20 years. Due to anticipated decline in the technology, Best expects the patent to be useful for only five years. After that time, there is a strong likelihood that other new technology will exist that will reduce this patent's value to zero. What is the annual amount of Best's amortization of this patent?
A. \$2,000 B. \$3,333 C. \$5,000 D. \$8,000
51. In which section of a financial statement would an intangible asset typically appear?
A. on the Balance Sheet in the Current Assets section
B. on the Balance Sheet in the Plant Assets section
C. on the Statement of Changes in Owner's Equity
D. on the Balance Sheet, usually the last category of assets
52. Amortization Expense appears on the
A. Income Statement as an operating revenue
B. Income Statement as an operating expense
C. Income Statement as a selling expense
D. Balance Sheet as a contra account to the respective intangible asset
53. David was not sure how to calculate amortization on a patent he purchased from Sysco Inc. for \$120,000 on January 1, 2017, so he gathered these facts. Sysco's original cost to create the technology was \$250,000 when the patent was granted for 20 years. Sysco held the patent for 14 years until David bought it. David estimates the patent to be useful for 10 years. The correct amount of annual amortization expense is:
A. \$6,000 B. \$7,500 C. \$12,000 D. \$12,500 E. \$20,000

Group 9

Consider the following information about a plant asset for questions 54 through 56, and write the correct amount on your on your answer sheet.

Original Cost	\$73,600
Disposal Value	\$4,300
Date Purchased	May 3, 2014
Estimated Useful Life	7 years
Depreciation Method	Straight-Line

54. Assume the asset sold for \$34,500 on February 28, 2018. What is the amount of loss on the sale of the asset?
- *55. Consider this question independently and continue to use the information in the table above. Now assume the asset sold for \$20,500 on September 30, 2019. What is the amount of gain on the sale of the asset?
- *56. Consider this question independently and continue to use the information in the table above. Now assume the asset was sold on June 3, 2020. In order to have no gain or loss on the sale of the asset, what would the sales price need to be in order to achieve this?

Group 10

For items 57 through 70, write on your answer sheet “true” if the statement is true; write “false” if the statement is false.

57. The special journal used to record the purchase of merchandise on account is called the Merchandise Journal.
58. Liability, revenue, and capital accounts all have normal credit balances.
59. The Petty Cash account is debited when the fund is initially established and it is also debited when the fund is subsequently increased.
60. If a retail merchandising business that uses the periodic inventory system does not use an account called Transportation In, the freight costs of merchandise purchases are recorded as debits to the Purchases account, and the income statement will not have a line item called Cost of Merchandise Sold.
61. If the net income of a partnership is \$50,000, and it is to be shared equally, each partner’s capital account would be increased by \$50,000.
62. If the terms of sale are FOB shipping, the buyer pays the shipping charge from the supplier’s shipping point.
63. When applying the lower-of-cost-or-market rule, inventory as reported on the balance sheet is never more, but may be less, than the actual cost of the inventory.
64. When the Petty Cash Report indicates that cash was lost in the process of making payments from the fund, this loss should be recorded in the account called Loss on Petty Cash.
65. The journal entries that update the general ledger accounts at the end of a period are called adjusting entries.

Group 10 continued

66. The Direct Write-Off method of accounting for bad debts is a type of allowance method.
67. The use of pre-numbered documents is a preventive internal control that attempts to ensure that all documents are recorded.
68. A check that a bank refuses to pay is called a dishonored check, and one reason a bank will dishonor a check is when the signature of the person who signed the check does not match the one on the signature card at the bank.
69. The amount added to the cost of merchandise to establish the selling price is called write-up.
70. If purchases discounts taken were omitted from the income statement, net income for the period would be understated.

Group 11

Refer to Table 1 on page 9. For questions 71 through 80, write the correct amount on your answer sheet.

On the Burleson Co.'s Adjusted Trial Balance (before CPA audit), what is their calculated amount of:

71. Bad Debt Expense
72. Supplies Expense
- *73. Gross Profit

After the CPA's adjustments, what is the correct amount for each of the following:

- *74. Merchandise Inventory on January 1, 2017
- *75. Cost of Merchandise Available for Sale
- *76. Cost of Merchandise Sold
- *77. Gross Profit
- *78. Bad Debt Expense
- *79. Supplies Expense
- **80. Net Income

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

Table 1
(for questions 71 through 80)

Burleson Co. hired a CPA to perform an audit of their accounts for the fiscal year ended December 31, 2017. The accounting staff of Burleson Co. prepared the following adjusted trial balance for the CPA. All accounts are listed and have normal balances. Expenses are combined for simplicity. It is company policy to adjust and close the accounts only at the end of the fiscal year. To estimate uncollectible accounts receivable, the company consistently uses the percent of accounts receivable method. The company uses the periodic inventory system.

Cash in Bank	6,590	Accounts Payable	4,270
Accounts Receivable	20,460	Jack Burleson, Capital	53,770
Allow for Uncollectible Accounts	1,450	Income Summary	3,060 CR
Supplies	3,950	Sales	96,210
Merchandise Inventory	21,490	Purchases	60,510
Equipment	15,000	All Expenses	30,760

The January 1, 2017 balance in Allowance for Uncollectible Accounts was a credit of \$200. No receivable accounts were written off in the year 2017. The Burleson Co. accountant prepared a work sheet and in the Trial Balance debit column on the line for Supplies is \$6,250. None of the supplies were returned to vendors.

The CPA confirmed the following: 1) the balance in the Cash in Bank account agrees to the bank reconciliation. 2) The December 31, 2017 physical inventories were performed and certified by an independent inventory consultant. These reports indicate: Supplies \$3,950 and Merchandise Inventory \$21,490

The CPA found and corrected the following errors:

- a customer account in the amount of \$600 that was written off and recorded correctly in a prior year was unexpectedly collected in 2017. The new Burleson Co. bookkeeper debited Cash and credited Sales. The CPA found and corrected this error and then confirmed that the Aging of Accounts Receivable report was prepared correctly indicating \$1,450 estimated to be uncollectible.
- when analyzing the paid invoice documents and tracing them to the general ledger accounts, an invoice for the purchase of supplies in the amount of \$3,500 was debited to the Purchases account. The CPA made an entry to correct this.

**UIL ACCOUNTING—Regional 2018-R
KEY**

Group 1	
1	CR
2	DR
3	NC
4	CR
5	CR
6	DR
7	CR
8	NC
9	DR
10	NC
11	CR
12	NC

Group 2	
13	B
14	A
15	B
16	C

Group 3	
17	\$ 17,670

Group 4	
18	\$ 116,000
19	10
20	9
21	\$ 2,500

Group 4 cont.	
*22	\$ 25,056
*23	\$ 74,240

Group 5	
24	C
25	A
26	C
27	\$ 4,380
28	\$ 7,935
29	\$ 2,555
30	\$ 2,835
*31	\$ 2,975

Group 6	
32	C
33	C
34	B
35	C
36	F
37	D
*38	\$ 23,200
*39	\$ 16,200
*40	\$ 25,200

Group 7	
41	\$ 2,560
42	\$ 4,980
43	\$ 2,130
44	\$ 4,400
*45	\$ 493.60
*46	\$ 10,025.40

Group 8	
47	C
48	E
49	C
*50	D
51	D
52	B
53	E

Group 9	
54	\$ < 1,150 >
*55	\$ 525
*56	\$ 13,375

Group 10	
57	False
58	True
59	True
60	False
61	False

Group 10 cont.	
62	True
63	True
64	False
65	True
66	False
67	True
68	True
69	False
70	True

Group 11	
71	\$ 1,250
72	\$ 2,300
*73	\$ 38,760
*74	\$ 18,430
*75	\$ 75,440
*76	\$ 53,950
*77	\$ 41,660
*78	\$ 650
*79	\$ 5,800
**80	\$ 8,000