

**UNIVERSITY INTERSCHOLASTIC LEAGUE
ACCOUNTING EXAM
State 2018-S**

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”. Graders must be able to read your response before points can be given.

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

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

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. Do not make a comma so large that it resembles a numeral.

You must follow group instructions regarding rounding and format of each answer.

Net cash used, a loss, net loss, negative number, or cash short **MUST** be indicated by brackets or parentheses. (Minus sign is not acceptable.)

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 sheets from the staple for convenience. Work sheets are never reviewed by graders.

UIL ACCOUNTING
State 2018-S

Group 1

Indicate where each item (1 through 9) would be found in the following sections of a classified balance sheet and income statement of Aja Inc. for the year ended December 31, 2017. Write the identifying letter(s) of the correct section(s) on your answer sheet.

| | | | |
|----------|---------------------------------|----------|--------------------------------------|
| A | Administrative Expenses | G | Operating Revenues |
| B | Cost of Merchandise Sold | H | Other Expenses |
| C | Current Assets | I | Other Revenue |
| D | Current Liabilities | J | Property, Plant and Equipment |
| E | Investments | K | Selling Expenses |
| F | Long-Term Liabilities | L | Stockholders' Equity |

1. Federal Corporate Income Tax Payable (due March 15, 2018)
2. Loss on Plant Assets
3. Unearned Rental Income (will be earned by April 1, 2018)
4. Merchandise Inventory as of January 1, 2017
5. Retained Earnings
6. Interest Income
7. Book value of accounts receivable
8. Paid-in Capital in Excess of Par—Common
9. Merchandise Inventory as of December 31, 2017

Group 2

Various accrual and deferral transactions are listed below with the question numbers 10 through 20 appearing in the debit and credit columns. Use the following chart of accounts to indicate what type of account is debited and credited. Write the identifying letter of the correct response on your answer sheet.

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

| | Debit | Credit |
|--------------------------------------------------------|--------------|---------------|
| When a deferred expense is purchased | 10. | XXXX |
| When a revenue has been earned but not yet received | 11. | 12. |
| When an expense has been incurred but not yet paid | 13. | 14. |
| When a previously deferred expense has now been used | 15. | 16. |
| When a previously unearned revenue has now been earned | 17. | 18. |
| When an unearned revenue is received | 19. | 20. |

Group 3

At the end of its fiscal year (12-31-17), after all accounts determined to be uncollectible have been written off and before any adjusting entries are recorded, the following information is available:

| | |
|----------------------------------------------------------------------|------------|
| Accounts Receivable | 19,620 |
| Allowance for Uncollectible Accounts | 195 credit |
| Net sales | 99,600 |
| Total charge sales | 59,200 |
| The aging of accounts receivable indicates uncollectible accounts of | 1,825 |

For questions 21 and 22, write the correct amount on your answer sheet.

21. What is the amount of bad debt expense for 2017 if the aging method is used to estimate uncollectible accounts?
22. If the company were to estimate uncollectible accounts based on 2.5% of total sales on account, what would be the book value of accounts receivable on the balance sheet dated 12-31-17?

Group 4

One of the items sold at Shani's Electronics is a laser speed measuring device. The following shows the beginning inventory and purchases information for the year.

During the year 62 devices were sold for \$125 each and 36 devices were sold for \$130 each. The company uses a periodic inventory system.

| | | Number of Units | Cost per Unit | Extended Amount |
|--------|---------------------|--------------------|------------------|--------------------|
| 1-1-17 | Beginning Inventory | 32 | 51.90 | 1,660.80 |
| Jan | Purchase | 10 | 52.00 | 520.00 |
| Mar | Purchase | 5 | 52.82 | 264.10 |
| Apr | Purchase | 15 | 53.70 | 805.50 |
| May | Purchase | 8 | 55.00 | 440.00 |
| July | Purchase | 12 | 55.00 | 660.00 |
| Nov | Purchase | 36 | 55.40 | 1,994.40 |
| Dec | Purchase | 17 | 55.60 | 945.20 |
| | | 135 | | 7,290.00 |

For questions 23 through 25, write the correct amount on your answer sheet.

23. What is the amount of gross profit for the year if the FIFO method of inventory valuation is used?
24. What is the amount of gross profit for the year if the LIFO method of inventory valuation is used?
25. What is the amount of gross profit for the year if the average cost method of inventory valuation is used?

Group 5

Mazdzer Corp has the following accounting policies and procedures:

- uses the accrual basis of accounting
- fiscal year end is September 30
- adjusting entries are prepared only at the fiscal year-end
- closing entries are prepared only at the fiscal year-end
- does not use reversing entries

Both of the banks used by Mazdzer use 360 days in promissory note calculations instead of 365 days. The banks refer to this as a banker's year of 360 days. Round all computations to the nearest cent.

Use the following information to solve questions 26 and 27. Write the correct amount on your answer sheet.

On July 25, 2017 Mazdzer Corp signed an interest-bearing note payable to Progressive Bank for \$22,500 for 180 days at 4%.

26. What is the maturity value of the note?

*27. What amount of interest expense should be accrued for this note for the fiscal year ended September 30, 2017?

Use the following information to solve questions 28 through 32. Write the correct amount on your answer sheet.

On September 4, 2017 Mazdzer Corp borrowed money from the First Federal Bank by signing a \$18,000, 90-day non-interest-bearing note. The bank discounted the loan at a rate of 5%.

28. What is the maturity value of the note?

29. What amount would be recorded in Discount on Notes Payable on 9-4-17?

30. What is the amount of the proceeds?

*31. On September 30, 2017 an adjusting entry is required to record interest expense for this note. What is the amount of the interest expense?

*32. On October 1, 2017 before any transactions take place, what is the balance in the contra liability account?

Group 6

Vonn Inc. is a closely held corporation formed in 2015 and has only one shareholder, Lindsey Vonn. The corporation has a fiscal year end of December 31 and the basis of accounting is the accrual basis. For this group of questions, disregard corporate income tax expense.

There is only one class of stock issued. On June 1, 2017 Vonn Inc. issued 500 shares of capital stock to Lindsey Vonn.

On November 1, 2017 a cash dividend of \$11 per share was declared on all shares issued as of November 15, 2017, which was paid on December 15, 2017.

The following account balances (listed alphabetically) are correct, and all have normal balances. The balances were as of December 31, 2017 after all adjusting entries were prepared and posted correctly but before closing entries were posted. The account called Paid-in Capital in Excess of Par has a zero balance. The only other general ledger accounts that are not listed below are Dividends and Retained Earnings.

| | | | |
|----------------------------|--------|---------------------|--------|
| Accounts Payable | 8,950 | Gasoline Expense | 4,285 |
| Accounts Receivable | 3,500 | Insurance Expense | 3,960 |
| Building | 94,000 | Interest Expense | 1,455 |
| Cash | 7,200 | Payroll Tax Expense | 1,390 |
| Capital Stock (\$10 par) | 16,000 | Salary Expense | 16,940 |
| Equipment | 15,000 | Revenue | 84,970 |
| Equipment Rental Expense | 1,200 | Utilities Expense | 4,380 |
| Note Payable (due in 2020) | 36,470 | Vehicles | 30,000 |

For questions 33 through 35, write the correct amount on your answer sheet.

33. On January 1, 2017 what was the balance of the capital stock account in the general ledger?
34. What is the balance of Retained Earnings in the general ledger after closing entries for 2017 are posted?
- *35. What is the balance of Retained Earnings in the general ledger on January 1, 2017?

Group 7

Refer to Table 1 on page 10. For questions 36 through 41, write the identifying letter of the best response on your answer sheet. Assume that all adjusting entries are posted correctly.

36. What is the total amount of Federal Corporate Income Tax Expense that the corporation will report on its income statement for the year ended 12-31-17?
 - A. \$ 2,345
 - B. \$17,320
 - C. \$17,845
 - D. \$24,000
 - E. \$26,345
 - F. \$43,095
 - G. \$65,345

Group 7 continued

37. The adjusting journal entry for corporate federal income tax expense for 2017 included a:
- A. debit to Cash in Bank
 - B. credit to Federal Corporate Income Tax Payable
 - C. debit to Federal Corporate Income Tax Payable
 - D. credit to Federal Corporate Income Tax Expense
38. What is the balance of Federal Corporate Income Tax Payable after the 12-31-17 adjustment is posted?
- A. \$2,345 B. \$3,570 C. \$4,095 D. \$12,595 E. \$19,095
39. Federal Corporate Income Tax Payable is classified on the financial statements as a/an
- A. income tax expense item
 - B. long-term liability
 - C. deferred revenue
 - D. current liability
40. What is Bohonnon’s marginal tax rate?
- A. zero
 - B. 15%
 - C. 25%
 - D. 34%
 - E. 39%
 - F. an average of all brackets used
- *41. What is “Net Income after Federal Corporate Income Tax” as reported on the income statement for the year ended 12-31-17?
- A. \$67,405
 - B. \$84,155
 - C. \$86,500
 - D. \$92,655
 - E. \$ 93,180
 - F. \$108,155

Group 8

On June 30, 2017 Diggins Corp was completely destroyed when a flock of birds entered the building through the ventilation system causing the building to catch on fire. The following year-to-date information for 2017 was the only record that could be salvaged:

| | | | |
|-----------------------------------|---------------|------------------------|---------------|
| Inventory, January 1, 2017 | 15,650 | Sales | 92,600 |
| Purchases | 46,844 | Sales Returns | 2,420 |
| Transportation In | 2,690 | Sales Discounts | 3,780 |

Diggins Corp’s historical gross profit percentage was 44% based on net sales per the records salvaged. The manager estimates they had about \$18,000 worth of merchandise in inventory at the time of the bird invasion. The manager fears he has been traumatized by the birds, but seems to remember the inventory was covered by insurance at a value of \$20,000. For question #42, write the correct amount on your answer sheet.

42. What was the cost of the merchandise estimated to be in inventory that was destroyed on June 30, 2017 using the gross profit method of estimating inventory?

Group 9

Nagasu Inc. is a retail business organized as a corporation. Refer to the following list of cash receipts and cash payments from the calendar year 2017 of Nagasu Inc. and use the statement of cash flows format shown below to answer questions 43 through 47 (Q#'s are shown in the columns of the statement). Write the correct amount on your answer sheet. Net cash used must be indicated by brackets on your answer sheet. The Cash balance on 1-1-17 was \$42,685.

| | |
|-------------------------------------------------|---------|
| Cash receipts during the year 2017 from: | |
| issuance of stock | 20,500 |
| interest | 429 |
| issuance of bonds | 20,000 |
| sale of equipment | 3,500 |
| rent | 3,000 |
| proceeds from line of credit | 15,000 |
| sales | 145,210 |
| issuance of long-term notes payable | 75,000 |
| Cash payments during the year 2017 from: | |
| cash dividends | 14,200 |
| salaries and wages | 84,230 |
| purchases of inventory | 86,355 |
| insurance | 4,210 |
| interest | 1,375 |
| payment on line of credit | 10,000 |
| taxes | 9,265 |
| principal paid on notes payable | 6,980 |
| rent | 4,920 |
| other operating expenses | 2,870 |
| purchases of equipment | 90,000 |

| Nagasu Inc. | | | |
|--------------------------------------------------|--|-------------|---------------|
| Statement of Cash Flows | | | |
| For the Year Ended December 31, 2017 | | | |
| Cash flows from operating activities: | | | |
| Cash receipts from: | | | |
| | | | |
| Total cash receipts | | Q#43 | |
| Cash payments for: | | | |
| | | | |
| Total cash payments | | | |
| Net cash provided/(used) by operating activities | | | * Q#44 |
| Cash flows from investing activities: | | | |
| | | | |
| Net cash provided/(used) by investing activities | | | * Q#45 |
| Cash flows from financing activities: | | | |
| | | | |
| Net cash provided/(used) by financing activities | | | * Q#46 |
| Net change in cash | | | |
| Cash balance, January 1, 2017 | | | |
| Cash balance, December 31, 2017 | | | Q#47 |

Group 10

Refer to Table 2 on page 11. For questions 48 through 53, write the identifying letter of the best response on your answer sheet.

48. Refer to the schedule of monthly payments. What is the correct amount of interest for the December payment?
- A. \$ 23.92 D. \$363.72 F. \$ 483.22
B. \$119.60 E. \$478.39 G. \$1,435.18
C. \$358.79
- *49. What is the ending balance of the loan after the December payment is made?
- A. \$23,436.34 D. \$23,560.87
B. \$23,460.26 E. \$23,800.06
C. \$23,555.94
50. The loan on this truck is an example of
- A. line of credit C. capital stock
B. bond payable D. long-term note payable
51. Which of the following statements is false?
- A. Assets pledged to a creditor to guarantee repayment of a loan are called collateral.
B. If Zhou Inc is unable to repay the loan on the truck, the creditor can take the truck and sell it to pay off the debt.
C. With each loan, the bank takes a risk that the borrower will not repay it.
D. Banks earn income when borrowers repay the principal of the loan.
E. Short-term notes typically finance revenue expenditures; whereas long-term notes typically finance capital expenditures such as plant assets.
52. What is the book value of this truck on December 31, 2017 after all adjusting entries have been posted?
- A. \$15,800 D. \$23,867 F. \$43,867
B. \$20,956 E. \$43,750 G. \$44,400
C. \$23,333
- *53. Consider that this truck is sold by Zhou Inc on December 31, 2019 for \$30,000. What is the amount of gain on the sale of the asset?
- A. \$1,200 D. \$17,000 F. \$22,267
B. \$1,733 E. \$21,733 G. \$24,644
C. \$1,850

Group 11

Refer to Table 3 on page 12. For questions 54 through 62, write the correct amount on your answer sheet.

What is the amount on the work sheet for Prepaid Insurance for each of the following:

- 54. on 12-31-15 in the Trial Balance column
- 55. on 12-31-16 in the Trial Balance column
- *56. on 12-31-17 in the Trial Balance column

What is the amount on the work sheet for Insurance Expense for each of the following:

- 57. on 12-31-15 in the Adjusted Trial Balance column
- 58. on 12-31-16 in the Adjusted Trial Balance column
- 59. on 12-31-17 in the Adjusted Trial Balance column

What is the amount on the work sheet for Prepaid Insurance for each of the following:

- 60. on 12-31-15 in the Adjusted Trial Balance column
- 61. on 12-31-16 in the Adjusted Trial Balance column
- 62. on 12-31-17 in the Adjusted Trial Balance column

Continue to refer to Table 3. For question #63, write the correct number of shares on your answer sheet.

- *63. How many shares were issued to Nathan Chen on January 2, 2017?

Continue to refer to Table 3. For items 64 through 76, write the correct amount on your answer sheet.

What is the amount of:

- *64. Sales on the work sheet in the adjusted trial balance column?
- *65. Merchandise Inventory on the work sheet in the trial balance column?
- 66. Cost of Delivered Merchandise?
- 67. Net Purchases?
- 68. Cost of Merchandise Sold?
- 69. Net Sales?
- 70. Cost of Merchandise Available for Sale?
- 71. Gross Profit?
- *72. Net Income?
- *73. Capital Stock on the work sheet in the adjusted trial balance column?
- *74. Retained Earnings on the work sheet in the trial balance column?
- 75. Retained Earnings on the work sheet in the adjusted trial balance column?
- *76. Retained Earnings on the Post-Closing Trial Balance dated December 31, 2017?

Group 11 continued

Continue to Refer to Table 3. For questions 77 through 80, write the correct amount on your answer sheet.

On Shibutani's work sheet for the twelve months ended December 31, 2017, what are the column subtotals on the line before net income or net loss is calculated for each of the following?

- 77. Income Statement Debit column
- *78. Income Statement Credit column
- 79. Balance Sheet Debit column
- *80. Balance Sheet Credit column

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

Table 1

(for questions 36 through 41)

Bohonnon, Inc. estimated its corporate federal income tax for the year 2017. Bohonnon made four quarterly payments to the IRS in 2017 for \$6,000 each and debited Federal Corporate Income Tax Expense and credited Cash in Bank for each payment.

The CPA for Bohonnon used the Trial Balance for the year ended December 31, 2017 to analyze, prepare, journalize and post all adjusting entries except any entry needed to properly report the expense and liability for federal corporate income tax. The CPA used the Adjusted Trial Balance to prepare the corporate tax return (Form 1120) which indicated federal corporate taxable income of \$110,500. (This is net income before any federal corporate income tax expense.)

The corporate federal income tax rates for 2017 are as follows:

| Tax Rate Schedule | | | |
|--------------------------|-----------------------|------------------------|-----------------------------|
| Over-- | But not over-- | Tax is: | Of the amount over-- |
| \$-0- | \$50,000 | 15% | \$-0- |
| 50,000 | 75,000 | \$7,500 + 25% | 50,000 |
| 75,000 | 100,000 | \$13,750 + 34% | 75,000 |
| 100,000 | 335,000 | \$22,250 + 39% | 100,000 |
| 335,000 | 10,000,000 | \$113,900 + 34% | 335,000 |

Table 2

(for questions 48 through 53)

Zhou Inc. provides freight delivery services. Because of business growth, on August 30, 2017 the company purchased a new truck that cost \$47,000 with a down payment of \$22,000 and the balance financed through a local bank. The bank's schedule of monthly payments is shown below.

The company is required to make a monthly principal and interest payment that totals \$483.32. The truck has an estimated salvage value of \$8,000 and an estimated useful life of 5 years.

Zhou prepares adjusting and closing entries only at the end of the fiscal year which is December 31. Zhou uses the straight line method of depreciation.

| Amount Borrowed | | \$25,000 | | | |
|-------------------------------|--------------------------------|-------------------|----------|-----------|----------------|
| Term of Note in Months | | 60 | | | |
| Annual Interest Rate | | 6% | | | |
| Monthly Payment | | \$483.32 | | | |
| Payment Number | Payable 1 st Day of | Beginning Balance | Interest | Principal | Ending Balance |
| 1 | September | 25,000.00 | 125.00 | 358.32 | 24,641.68 |
| 2 | October | 24,641.68 | 123.21 | 360.11 | 24,281.57 |
| 3 | November | 24,281.57 | 121.41 | 361.91 | 23,919.66 |
| 4 | December | 23,919.66 | | | |

Table 3

(for questions 54 through 80)

Shibutani Inc. is a closely held corporation that was organized on May 1, 2015 when it issued the following shares of stock at par to Alex and his sister, Maia: Alex 600 shares for \$6,000 and Maia 400 shares for \$4,000. No shares were issued in the year 2016. On January 2, 2017 shares were issued to Nathan Chen at par.

During May 2015, Shibutani leased a retail space in a shopping center and began purchasing merchandise for their store that sells winter sporting goods.

It is company policy to record adjusting and closing entries only at the end of the fiscal year which is December 31. The company uses a 10-column work sheet at the end of each fiscal year. Disregard federal corporate income tax.

The corporation has only one insurance policy that renews each year on the same date. This policy covers the inventory and also includes liability coverage in case someone is injured while in the store. The following is a history of the insurance premiums paid by Shibutani Inc.

| | |
|-------------|---------|
| May 2, 2015 | \$2,220 |
| May 2, 2016 | \$2,460 |
| May 2, 2017 | \$2,580 |

The years 2015 and 2016 were a struggle, but the corporation was able to make a small profit each year. The shareholders agreed, and no dividends were declared in the years 2015 or 2016. On December 15, 2017 shareholders agreed, and declared a dividend to all shareholders of record as of December 1, 2017 in the amount of \$3.60 per share. The dividends are payable by January 15, 2018.

The shareholders were pleased to review the work sheet for the twelve months ended December 31, 2017 from which they calculated that the gross profit percentage based on net sales was 45% which is a very positive indicator.

The information below is taken from the adjusted trial balance of the worksheet for the twelve months ended 12-31-17. All accounts have normal balances. All of the expenses (like rent, utilities, etc.) are grouped together for simplicity except for Insurance Expense, which is shown separately.

| | | | |
|-----------------------|----------|----------------------------|---------|
| Cash | 14,890 | Sales | ? |
| Accounts Receivable | 8,875 | Sales Discounts | 320 |
| Prepaid Insurance | ? | Sales Returns & Allowances | 1,560 |
| Merchandise Inventory | 33,070 | Purchases | 112,608 |
| Accounts Payable | 2,855 | Transportation In | 4,885 |
| Dividends Payable | 4,320 | Purchases Discounts | 3,746 |
| Capital Stock | ? | Purchases Returns & Allow. | 2,874 |
| Retained Earnings | ? | Insurance Expense | ? |
| Dividends | ? | Various Expenses | 63,632 |
| Income Summary | 1,830 CR | | |

**UIL ACCOUNTING—State 2018-S
KEY**

| Group 1 | |
|---------|-----|
| 1 | D |
| 2 | H |
| 3 | D |
| 4 | B |
| 5 | L |
| 6 | I |
| 7 | C |
| 8 | L |
| 9 | B C |

| Group 2 | |
|---------|---|
| 10 | A |
| 11 | A |
| 12 | D |
| 13 | E |
| 14 | B |
| 15 | E |
| 16 | A |
| 17 | B |
| 18 | D |
| 19 | A |
| 20 | B |

| Group 3 | |
|---------|-----------|
| 21 | \$ 1,630 |
| 22 | \$ 17,945 |

| Group 4 | |
|---------|-------------|
| 23 | \$ 7,193.20 |
| 24 | \$ 7,060.80 |
| 25 | \$ 7,138 |

| Group 5 | |
|---------|-----------|
| 26 | \$ 22,950 |
| *27 | \$ 167.50 |
| 28 | \$ 18,000 |
| 29 | \$ 225 |
| 30 | \$ 17,775 |
| *31 | \$ 65 |
| *32 | \$ 160 |

| Group 6 | |
|---------|-----------|
| 33 | \$ 11,000 |
| 34 | \$ 88,280 |
| *35 | \$ 54,520 |

| Group 7 | |
|---------|---|
| 36 | E |
| 37 | B |
| 38 | A |
| 39 | D |
| 40 | E |
| *41 | B |

| Group 8 | |
|---------|-----------|
| 42 | \$ 16,800 |

| Group 9 | |
|---------|-------------|
| 43 | \$ 148,639 |
| *44 | \$ <44,586> |
| *45 | \$ <86,500> |
| *46 | \$ 99,320 |
| 47 | \$ 10,919 |

| Group 10 | |
|----------|---|
| 48 | B |
| *49 | C |
| 50 | D |
| 51 | D |
| 52 | G |
| *53 | A |

| Group 11 | |
|----------|----------|
| 54 | \$ 2,220 |
| 55 | \$ 3,200 |
| *56 | \$ 3,400 |
| 57 | \$ 1,480 |
| 58 | \$ 2,380 |
| 59 | \$ 2,540 |
| 60 | \$ 740 |
| 61 | \$ 820 |
| 62 | \$ 860 |

| Group 11 cont. | |
|----------------|------------|
| *63 | 200 shares |
| *64 | \$ 200,140 |
| *65 | \$ 31,240 |
| 66 | \$ 117,493 |
| 67 | \$ 110,873 |
| 68 | \$ 109,043 |
| 69 | \$ 198,260 |
| 70 | \$ 142,113 |
| 71 | \$ 89,217 |
| *72 | \$ 23,045 |
| *73 | \$ 12,000 |
| *74 | \$ 19,795 |
| 75 | \$ 19,795 |
| *76 | \$ 38,520 |
| 77 | \$ 185,545 |
| *78 | \$ 208,590 |
| 79 | \$ 62,015 |
| *80 | \$ 38,970 |