
ACCOUNTING II

Overview

The accurate keeping of financial records is a vital ongoing activity in all types of businesses. This event provides recognition for FBLA members who have demonstrated an understanding of and skill in accounting principles and procedures as applied to sole proprietorships, partnerships, and corporations.

This event consists of two parts: an objective test taken at the NLC and a skills production test taken prior to the NLC. This is an individual event.

Competencies and Task Lists

<http://www.fbla-pbl.org/docs/ct/FBLA/ACCOUNTING2.pdf>

Website Resources

- Accounting Handouts for Introductory Accounting
<http://www.bboinc.com/actghome/teacher.htm>
- Bean Counter's Bookkeeping & Accounting Quizzes, Games, and Lectures
<http://www.dwmbeancounter.com/BCTutorSite/Quizzes/BCOnlineQuiz.html>
- Beginning the Accounting Cycle:
http://www.dmac.edu/instructors/taprinde/welcome_files/301/solutions/smch03.pdf
- Careers in Accounting
<http://www.careers-in-accounting.com/>
- Investopedia
<http://www.investopedia.com/>
- Principles of Accounting
<http://principlesofaccounting.com/>
- UCD Accounting Glossary
<http://accounting.ucdavis.edu/refs/glossary.cfm?list=alpha&alpha=a>

ACCOUNTING II SAMPLE QUESTIONS

1. A proof of the equality of debits and credits in a general ledger is a(n):
 - a. ledger balance
 - b. trial balance
 - c. worksheet
 - d. balance sheet

Competency: Financial Statements

2. Expenses paid in one fiscal period but **not** reported as expenses until a later fiscal period are initially recorded as:
 - a. revenue on the Income Statement
 - b. prepaid expenses on the Balance Sheet
 - c. accrued expenses on the Balance Sheet
 - d. accumulated expenses on the Income Statement

Competency: Financial Statements

-
3. A written application requesting permission to form a corporation is called the:
- charter
 - application for incorporation
 - stock certificate
 - articles of incorporation

Competency: Corporate Accounting

4. What effect would a two for one stock split have?
- The number of shares outstanding would drop in half.
 - The shareholders ownership percentage would double.
 - The stock price will drop by half and the number of shares of stock outstanding will double.
 - The stock price will double and the number of shares of stock outstanding will drop by half.

Competency: Corporate Accounting

5. Cole and Madison are partners who decided to liquidate the partnership. Before the liquidation, the partnership's balance sheet showed Cash \$10,000, total "other assets", \$106,000; total liabilities, \$88,000; Cole Capital, \$15,100; and Madison, Capital, \$12,900. The "other assets" were sold for \$118,000. After liabilities are paid, what is total distribution to Cole?
- \$20,000
 - \$70,000
 - \$44,000
 - \$21,100

Competency: Partnerships

6. Wilson invests cash of \$30,000 in the partnership. Jones invests the assets of an existing business. Jones's balance sheet shows \$8,000 in cash, \$10,000 in accounts receivable, \$500 in allowance for uncollectible accounts, \$7,000 for other current assets, \$15,000 for equipment, \$5,000 for accumulated depreciation minus equipment, and \$1,000 for accounts payable. The total capital of the partnership will be:
- \$55,000
 - \$38,000
 - \$63,500
 - \$48,000

Competency: Partnerships

7. Marsh Corporation has a current assets valued at \$15 million, inventory at \$12 million, and current liabilities valued at \$6 million. The cost of goods sold was \$60 million. Based on this information, its current ratio is:
- 3.0
 - 2.5
 - 0.5
 - 0.25

Competency: Ratios and Data Analysis

-
-
8. Use horizontal analysis to compute the percentage increase in sales: In 2009 sales were \$200,000 and in 2010 sales were \$250,000. The result is:
- sales increased by 125 percent
 - sales increased by 80 percent
 - sales increased by 30 percent
 - sales increased by 25 percent

Competency: Ratios and Data Analysis

9. The entry to record the receipt of a note from a charge customer in settlement of the account is:
- debit Accounts Receivable; credit Notes Payable
 - debit Accounts Receivable; credit Notes Receivable
 - debit Notes Receivable; credit Accounts Receivable
 - debit Notes Payable; credit Accounts Receivable

Competency: Accounts Receivable and Payable

10. Using the aging method, Marsh Corporation estimates that uncollectible accounts will total \$700 this year. The Allowance for Uncollectible Accounts balance is \$490. The adjusting entry:
- debit the expense account \$1,190; credit the allowance account \$1,190
 - debit the expense account \$210; credit the allowance account \$210
 - debit the expense account \$700; credit the allowance account \$700
 - debit the expense account \$490; credit the allowance account \$490

Competency: Accounts Receivable and Payable

11. Which one of the following items would be included in a cash budget?
- dividends
 - accrued expenditure
 - depreciation
 - provision for doubtful debts

Competency: Budgeting and Cash Flow

12. Marsh Corporation reported sales of \$160,000 (20,000 units). Fixed costs amounted to \$20,000 and income for the period was \$80,000. The per-unit variable cost is:
- \$2.50
 - \$2.00
 - \$1.00
 - \$3.00

Competency: Budgeting and Cash Flow

13. Which one of the following accounts is **not** considered factory overhead?
- plant heating and electricity
 - supervisor's salary
 - administrative office salaries
 - factory supplies

Competency: Cost Accounting/Manufacturing

-
14. What is the cost of raw materials used if Raw Materials Purchases is \$800,000; beginning Raw Materials Inventory is \$100,000; and, ending Raw Materials inventory is \$150,000.
- a. \$950,000
 - b. \$1,050,000
 - c. \$750,000
 - d. \$850,000

Competency: Cost Accounting/Manufacturing

15. The cost of supplies used by a specific department is an example of a(n):
- a. indirect expense
 - b. cost of merchandise sold
 - c. revenue
 - d. direct expense

Competency: Departmentalized Accounting

16. Three departments (A, B, C) occupy floor space of 15,000, 75,000, and 30,000 square feet respectively. How much of this year's \$225,000 rent expense will be allocated to the Department C?
- a. \$78,125
 - b. \$120,000
 - c. \$140,625
 - d. \$56,250

Competency: Departmentalized Accounting

17. Allowing workers time to work for nonprofit organizations, making donations to schools, hospitals, and community projects, and sponsoring community programs such as the Special Olympics is a part of which one of the following?
- a. social responsibility
 - b. research and development
 - c. ethics
 - d. regulations

Competency: Ethics

18. The principle that requires an accountant to protect information learned in the course of work is called:
- a. integrity
 - b. confidentiality
 - c. objectivity
 - d. competence

Competency: Ethics

19. The Employer's Quarterly Federal Tax Return is prepared using Form

- a. 1040
- b. 944
- c. 941
- d. 942

Competency: Income Tax

20. The difference between the value of a liability or an asset and the amount of tax that is due on the liability or asset is called a(n):

- a. unearned tax loss
- b. unearned tax
- c. deferred tax
- d. deferred cash

Competency: Income Tax

21. Find the cost assigned to ending merchandise inventory of 500 units using the weighted average method.

Beginning Inventory 100 @ \$18.00 = \$1,800.00

First Purchase 400 @ \$19.00 = 7,600.00

Second Purchase 800 @ \$18.25 = 14,600.00

Third Purchase 500 @ \$20.40 = 10,200.00

- a. \$10,200
- b. \$9,500
- c. \$10,500
- d. \$9,800

Competency: Inventory

22. What is estimated ending inventory using the Gross Profit method with the following data?

Marsh Corporation has a gross profit rate of 35 percent of net sales. Net Sales are \$600,000 and total Merchandise Available for Sale is \$525,000.

- a. \$135,000
- b. \$ 175,000
- c. \$210,000
- d. \$390,000

Competency: Inventory

23. The journal entry to record the return of merchandise sold on account is:

- a. debit Sales Returns & Allowances; credit Purchases
- b. debit Sales Returns & Allowances; credit Accounts Receivable
- c. debit Sales; credit Accounts Receivable
- d. debit Accounts Receivable; credit Sales Returns & Allowances

Competency: Journalizing and Posting

24. Which one of the following accounts would **not** be closed at the end of an accounting period?

- a. Dividends
- b. Capital Stock
- c. Revenue
- d. Income Summary

Competency: Journalizing and Posting

25. Williams earns time-and-a-half for all hours worked in excess of 8 hours per day and double time for all hours worked on Sunday. His hourly rate is \$12. During the week, his timecard recorded the following: Monday–8; Tuesday–9; Wednesday–9; Thursday–8; Friday–9; Sunday 5. Williams' gross earnings for the week are:

- a. \$564
- b. \$480
- c. \$534
- d. \$654

Competency: Payroll

26. Employers do **not** make deductions from employees' paychecks for:

- a. employee's share of health insurance premiums
- b. federal income taxes
- c. federal unemployment taxes
- d. social security taxes

Competency: Payroll

27. Using the sum of the year's digits method, calculate the depreciation for Year 3 for a plant asset with a cost of \$ 110,000, Salvage value of \$20,000, and Useful life of 5 years.

- a. \$38,000
- b. \$18,000
- c. \$30,000
- d. \$24,000

Competency: Plant Assets and Depreciation

28. If the modified accelerated cost recovery system (MACRS) is used to depreciate an asset for tax purposes, which one of the following statements is **correct**?

- a. Depreciation will be less for tax purposes than for financial reporting in the early years.
- b. Depreciation amounts will be the same for financial reporting purposes.
- c. Depreciation will be greater for tax purposes than for financial reporting in the early years.
- d. The tax life will exceed the financial reporting life.

Competency: Plant Assets and Depreciation

29. Revenues from sales are \$450,000, sales discounts are \$12,000, cost of goods sold is \$230,000, and operating expenses are \$180,000. Income before taxes is:
- \$40,000
 - \$438,000
 - \$220,000
 - \$28,000

Competency: Purchases and Sales

30. Marsh Corporation plans to sell security systems for \$2,500 per unit. Variable costs are \$1,500 per unit and total fixed costs are \$1,000,000. What is the break-even point in dollars?
- \$2,000,000
 - \$1,500,000
 - \$1,000,000
 - \$2,500,000

Competency: Purchases and Sales

ACCOUNTING II SAMPLE PRODUCTION TEST

General Instructions

You have recently been hired by Marsh Corporation as an accounting technician. Your responsibility is to assist the company's CPA in the compilation and presentation of accounting financial information. You will focus on end-of-period activities.

JOB 1: Preparing an Income Statement

Prepare an income statement for the period ending December 31, 2010 for Marsh Corporation using the accounts and balances listed below:

Beginning Merchandise Inventory	\$36,725
Ending Merchandise Inventory	18,515
Interest Expense	612
Operating Expenses	18,355
Purchases	21,335
Purchases Discounts	2,280
Purchases Returns	2,350
Sales	63,225
Sales Discounts	4,825
Sales Returns	2,615