

The University of the State of New York

263D HIGH SCHOOL EXAMINATION

BOOKKEEPING II

Thursday, June 20, 1935 — 9.15 a. m. to 12.15 p. m., only

Write at top of first page of answer paper (a) name of school where you have studied, (b) number of weeks and recitations a week in each of the following separately: bookkeeping I, bookkeeping II. The minimum time requirement is five recitations a week for two school years.

Answer four questions, including both of the questions in group I and two questions from group II as directed.

Group I

Answer questions 1 and 2.

1 Use general journal and cashbook. Columns required in the general journal are: Debit side — Notes Receivable, Accounts Payable, General Ledger; Credit side — General Ledger, Accounts Receivable, Notes Payable. Columns required in the cashbook are: on the receipts side — General Ledger, Accounts Receivable, Sales Discount, Net Cash; on the payments side — General Ledger, Accounts Payable, Purchases, Discount, Net Cash.

On January 2, 1935, Paul Duggan, a retailer in leather goods and novelties, decided to convert his business into a wholesale establishment. He had not kept a complete set of books but was able to obtain from his records and other sources the following data: Bank balance \$1329.25; due from customers \$209.25 (H. Block \$53, G. Miller \$87.75, D. Scully \$68.50); stock of luggage, handbags and leather novelties \$18,600; store fixtures and repair-room equipment appraised at \$1500; due to creditors \$1430.50 (P. Allison & Company \$475, Dunhill Luggage Company \$335.50, Webber & Grant, Inc. \$620); the proprietor's three-months note for \$600, with interest at 6%, issued October 14, 1934, to P. Harlow & Company (interest to date to be considered).

Acting as Mr Duggan's bookkeeper, open a new set of books and prepare the opening entry. Make, with sufficient explanations, entries for the following selected transactions, checking all items that should not be posted separately:

- January 2 Drew a petty cash check for \$15 to establish a petty cash fund.
- January 3 Mr Duggan drew \$2000 from his personal savings account and invested this sum in his business.
- January 5 Received a postal money order for \$50 from G. Miller to apply on account.
- January 7 Bought of the Eagle Office Equipment Company office partitions and furniture for \$800, subject to the following terms: \$300 cash on delivery of furniture and installation of partitions, two notes for \$250 each, with interest at 4%, due respectively in two months and four months. Delivery and installation were made today and the check and notes were issued.
- January 9 Mailed a check to P. Allison & Company in full of December account, less 2%.
- January 10 Mailed a credit memorandum to E. Farnum for the return of one dozen defective brief cases sold to him on account January 4 for \$40.
- January 11 Mr Duggan incurred \$18 expense calling on the retail trade. He drew one check to cover this amount and an additional \$32 for his personal use.
- January 12 Accepted a trade acceptance drawn by K. Prentice & Son for a bill of goods amounting to \$416.75, purchased by us January 10.
- January 14 E. Farnum paid his invoice of January 4 amounting to \$215, terms $\frac{2}{10} \text{ n}/30$, after deducting the credit item of January 10.
- January 15 Received from the bank notice dated the 14th that Mr Duggan's account had been charged with the payment of his note and interest in favor of P. Harlow & Company. [See opening record.]
- January 17 Received a credit memorandum for \$26.30 from Crummit & Higgins for shortage on shipment of goods purchased January 12.

267

BOOKKEEPING II — *continued*

- January 18 Discounted at the bank the proprietor's note for \$1000 due in 60 days. The rate of discount was 5%.
- January 22 D. Scully deducted from the statement sent him at the beginning of the month \$2 for an overcharge on a December bill and gave his check for the balance. Mr Duggan approved the deduction made.
- January 24 Received in the mail a check from T. P. Ryan in payment of invoice of January 14 for \$114.28, less 2%.
- January 26 Issued a check to Webber & Grant, Inc. in full of account, less 1%. [See opening record.]
- January 31 Drew a check for monthly salaries of sales clerks, \$240, and salaries of office staff, \$180.
- January 31 Drew a petty cash check to replenish the fund for the following disbursements: postage \$6.40, hand truck for shipping room \$5.25, twine and wrapping paper \$2.

Close the cashbook and bring down the balance. Foot and rule the general journal. Indicate clearly how totals are to be posted, but do not post. [50]

2 The following trial balance was taken from the general ledger of Meade & Reisman, December 31, 1934. From this trial balance and the additional data prepare a classified statement of profit and loss for the period. The partnership agreement provides that interest at 6% is to be allowed to each partner on his initial investment and that the remaining net profit is to be shared equally. Show the distribution of the net profit on the statement. [25]

MEADE & REISMAN
Trial Balance, December 31, 1934

G. Meade, capital.....		\$ 40,000
W. Reisman, capital.....		25,000
Furniture and fixtures.....	\$ 1,840	
Reserve for depreciation of furniture and fixtures...		859
Land and building.....	33,500	
Mortgage on land and building.....		18,000
Cash.....	3,181	
Petty cash.....	25	
Accounts receivable.....	26,935	
Notes receivable.....	6,200	
Merchandise inventory, January 1, 1934.....	34,300	
Purchases.....	98,350	
Accounts payable.....		8,263
Sales.....		140,480
Salesmen's salaries and commissions.....	12,675	
Freight and cartage inward.....	1,016	
Sales returns.....	855	
Sales discount.....	1,417	
Purchases returns.....		769
Purchases discount.....		895
Insurance.....	873	
Interest cost.....	750	
Rent income.....		1,375
General expense.....	1,883	
Office salaries.....	5,040	
Shipping supplies and expense.....	3,392	
Building expense.....	3,209	
G. Meade, personal.....	125	
W. Reisman, personal.....	75	
	<u>\$235,641</u>	<u>\$235,641</u>

Additional Information, December 31, 1934

Merchandise inventory, December 31, 1934.....	\$38,400
Shipping supplies on hand.....	210
Unexpired insurance.....	146
December rent due from tenant.....	125
Customers' uncollectible accounts to be written off.....	430
Accrued interest on mortgage.....	150
Depreciation of furniture and fixtures, 10% of cost	

268

Group II

Answer questions 3 and 4 or questions 5 and 6.

3 List the items of information that should appear on a completed petty cash voucher. [5]

4 A firm bought a delivery truck on January 5, 1930, and a second truck on July 1, 1932. The account records to date concerning this equipment are shown below.

DELIVERY EQUIPMENT

1930 Jan.	5	C	1	2000		1935 Jan.	2	J	69	2000	
1932 July	1	J	22	1500							

DEPRECIATION OF DELIVERY EQUIPMENT

1930 Dec.	31	J	14	400		1930 Dec.	31	J	15	400	
1931 Dec.	31	J	29	400		1931 Dec.	31	J	30	400	
1932 Dec.	31	J	42	550		1932 Dec.	31	J	44	550	
1933 Dec.	31	J	54	700		1933 Dec.	31	J	55	700	
1934 Dec.	31	J	67	700		1934 Dec.	31	J	68	700	

RESERVE FOR DEPRECIATION OF DELIVERY EQUIPMENT

1935 Jan.	2	J	69	2000		1930 Dec.	31	J	14	400	
						1931 Dec.	31	J	29	400	
						1932 Dec.	31	J	42	550	
						1933 Dec.	31	J	54	700	
						1934 Dec.	31	J	67	700	

Using the information contained in the accounts above, answer the following questions: [20]

- Classify *each* of the three accounts in terms of assets, liabilities and capital.
- What was the estimated life of the delivery equipment at the time of purchase?
- What was the book value of the delivery equipment at the close of the year 1932?
- State the purpose of the debit and the credit records made December 31, 1930, in the Depreciation of Delivery Equipment account.
- The two debit postings in the Delivery Equipment account were made from two different journals. State the nature of the two transactions that resulted in these records.
- Explain how the amount of depreciation recorded on December 31, 1932, was calculated.
- Explain why the depreciation recorded December 31, 1933, was greater than that recorded December 31, 1932.
- What is an advantage of recording the credits in the Reserve account over recording them in the Delivery Equipment account?
- What information relative to these three accounts will appear on the balance sheet drawn up on December 31, 1934?
- Assuming that the first truck was disposed of on January 2, 1935, explain the records that appear in the Delivery Equipment and Reserve accounts under that date.

269

5 Answer *all* parts of this question :

- a State *one* advantage and *one* disadvantage in using a bound ledger rather than a loose-leaf ledger. [5]
- b State *two* advantages in using a controlling system of accounts rather than carrying all the accounts in one ledger. [5]
- c State *two* purposes of special columns in the general journal. Give an example of a special column for each purpose mentioned. [5]

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Name of school.....Name of pupil.....

If this question is chosen, detach this page and hand it in with your other answer paper.

6 Some of the statements below are true and some are false. Select *only those statements that are false* and in the blank at the right of each statement write the word or words which, when substituted for the italicized expression, will make the statement true. [10]

[Illustration: Trade advertising is an *administrative* expense.

selling]

- a In preparing the bank reconciliation statement, the outstanding checks should be deducted from the *check-book* balance.
- b Interest on partners' investments represents part of the *profits* distributed to the partners.
- c A proprietor's personal account that has a debit balance is an *asset* account.
- d Unpaid salaries are reported on the classified balance sheet under the head of *deferred income*.
- e The indorsement "Paul Smith" is a *full* indorsement.
- f "F. O. B. destination" indicates that the freight charge must be borne by the *shipper*.
- g An expense is incurred at the time office supplies are *purchased*.
- h The contingent liability Notes Receivable Discounted appears as a deduction in the *asset section* on the balance sheet.
- i The charge made by a railroad company for delay by the shipper in loading a freight car is known as *demurrage*.
- j The working capital of a business is the excess of its current assets over the *proprietor's net worth*.
- k A trade acceptance may be given in settlement of a *cash loan*.
- l Most of the debit items in the Accounts Receivable controlling account originate in the *sales journal*.
- m Failure to include accrued income when the books are closed results in an *overstatement* of the profits for the period covered.
- n An order bill of lading is used in making a C. O. D. shipment by *express*.
- o A partnership business is solvent only when it can pay *profits to the partners*.

270