

The University of the State of New York

REGENTS HIGH SCHOOL EXAMINATION

BOOKKEEPING II

Wednesday, June 18, 1958 — 9:15 a.m. to 12:15 p.m., only

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

The entire question paper should be handed in at the close of the examination.

Part I

Answer both questions in this part.

1 Answer *a*, *b* and *c* :

*a* Use the following three journals with special columns as indicated :

[*Note*: In the general journal only FOUR columns are required; in the cash receipts journal FOUR columns are required; in the cash payments journal EIGHT columns are required.]

*General Journal*: *Debit side* — Accounts Payable, General Ledger

*Credit side* — General Ledger, Accounts Receivable

*Cash Receipts Journal*: General Ledger, Accounts Receivable, Sales Discount, Net Cash

*Cash Payments Journal*: General Ledger, Accounts Payable, Salaries, Withholding Taxes Payable, F.I.C.A. Taxes Payable, Disability Benefits Taxes Payable, Purchase Discount, Net Cash

Arthur Wallace is in the wholesale building supplies business. On May 1, 1958, the business had a bank balance of \$8,369. Make, with sufficient explanations, entries for the following selected transactions, checking all items that should not be posted separately:

- May 1 Drew check No. 147 for \$100 to establish a petty cash fund.
- May 2 Sent a credit memorandum for \$45 to Marvin Somers, a customer, for damaged merchandise that he returned to us.
- May 6 Gave the Highland Lumber Co. our 30-day note for \$1,700 bearing interest at 6% in settlement of our account.
- May 9 Received from Marvin Somers a check for \$490 in full settlement of the invoice of April 14, which amounted to \$545, less the return of May 2 and less a 2% cash discount.

BOOKKEEPING II — *continued*

May 12 Drew check No. 148 to meet the weekly payroll. The following information was obtained from the payroll record:

Total earnings .....	\$1,280.00
Withholding taxes .....	137.40
F.I.C.A. taxes .....	28.80
Disability benefits taxes .....	4.50
Net payment .....	1,109.30

May 14 Drew check No. 149 in payment of taxes withheld from employees' salaries during the month of April and of the employer's share of F.I.C.A. taxes as follows:

Withholding taxes .....	\$549.60
F.I.C.A. taxes (employees' share) .....	115.20
F.I.C.A. taxes (employer's share) .....	115.20

May 16 Borrowed \$5,000 from the Carter National Bank. We gave the bank our 60-day, non-interest bearing note for \$5,000 and received credit for the net proceeds, amounting to \$4,950.

May 19 Drew check No. 150 for \$776 in favor of Sam Harrison for invoice of April 25, which amounted to \$965, less a return of \$165 made April 29 and less a discount of 3%.

May 20 Bruce Field, a customer owing us \$750, has been declared a bankrupt. We received a check for \$100 as the final payment. The balance is uncollectible. There is a balance of \$400 in the Reserve for Bad Debts account.

May 21 Gave the Royal Hospital \$50 worth of merchandise from our stock for their bazaar.

May 26 Issued check No. 151 for \$9 to Robert Abrams, our customer, because he had failed to deduct a cash discount to which he was entitled.

May 27 Received a check for \$80 from the Higgins Lumber Co., one of our creditors, because we had overpaid our account.

May 28 At the request of Mr. Wallace, the proprietor, we issued check No. 152 for \$120 payable to the Ace Insurance Co. in payment of the insurance premium on Mr. Wallace's home.

May 31 Received a notice from our bank that it had charged our account \$14.75 for collection services during the month.

Close and summarize *all* journals. Use the method that you have been taught. [50]

*b* Post the summary entry or the totals of the columns appearing in the *Cash Payments Journal* to the General Ledger. [Post only the totals at the end of the month.] [8]

*c* What is the bank balance on May 31, 1958? [2]  
[Indicate this balance at the bottom of the *Cash Receipts Journal*.]

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BOOKKEEPING II — *continued*

- 2 From the following trial balance and additional information, prepare a classified balance sheet. A form which may be used for answering this question is on page 4. Not all spaces on this form need necessarily be filled in. [15]

JOHNSON & MARKS

Trial Balance

December 31, 1957

Cash .....	\$ 9,720	.....
Notes Receivable .....	5,400	.....
Notes Receivable Discounted.....		\$ 1,200
Accounts Receivable .....	19,800	.....
Reserve for Bad Debts .....		160
Merchandise Inventory Jan. 1, 1957.....	84,980	.....
Furniture & Fixtures.....	11,300	.....
Reserve for Depreciation of Furniture & Fixtures...		2,320
Notes Payable .....		6,000
Accounts Payable .....		6,400
Withholding Taxes Payable .....		640
F.I.C.A. Taxes Payable.....		40
Arthur Johnson, Capital.....		38,600
Arthur Johnson, Personal .....	15,000	.....
George Marks, Capital .....		47,400
George Marks, Personal.....	19,200	.....
Sales .....		326,680
Sales Returns .....	6,700	.....
Purchases .....	189,460	.....
Freight In .....	7,340	.....
Purchase Returns .....		2,340
Salaries .....	38,400	.....
Advertising .....	2,400	.....
Traveling Expense .....	4,320	.....
Freight Outward .....	3,680	.....
Shipping Supplies .....	4,160	.....
Stationery & Printing.....	1,520	.....
Telephone .....	980	.....
F.I.C.A. Taxes .....	540	.....
State Unemployment Insurance Taxes.....	720	.....
Miscellaneous Taxes .....	2,100	.....
Insurance .....	1,660	.....
Sales Discount .....	5,680	.....
Interest Cost .....	240	.....
Purchase Discount .....		3,520
	<u>\$435,300</u>	<u>\$435,300</u>

Additional Information, Dec. 31, 1957

Merchandise Inventory .....	\$76,000
Insurance (prepaid) .....	320
Shipping Supplies (Inventory) .....	1,700
F.I.C.A. Taxes Payable (Employer's obligation).....	40
State Unemployment Insurance Taxes Payable.....	240
Federal Unemployment Taxes Payable.....	100
Depreciation of Furniture & Fixtures 10% of cost	
Additional Allowance for Bad Debts to bring the reserve up to 2% of Accounts Receivable	

BALANCE SHEET

of.....  
 As of.....19.....

<i>ASSETS</i>									
<u>Current Assets</u>									
Cash .....									
Notes Receivable .....									
Less Notes Receivable.....									
Discounted.....									
Accrued Interest Receivable .....									
Accounts Receivable .....									
Less Reserve for Bad Debts.....									
Merchandise Inventory .....									
Total Current Assets.....									
<u>Deferred Expense</u>									
Insurance .....									
Shipping Supplies .....									
Total Deferred Expense.....									
<u>Fixed Assets</u>									
Land and Buildings.....									
Less Reserve for Depreciation.....									
Furniture and Fixtures.....									
Less Reserve for Depreciation.....									
Total Fixed Assets .....									
TOTAL ASSETS .....									
<i>LIABILITIES</i>									
<u>Current Liabilities</u>									
Notes Payable .....									
Accrued Interest Payable.....									
Accounts Payable .....									
Withholding Taxes Payable.....									
F.I.C.A. Taxes Payable.....									
State Unemployment Insurance Taxes Payable									
Federal Unemployment Taxes Payable.....									
Accrued Salaries Payable.....									
Total Current Liabilities.....									
<u>Deferred Income</u>									
Rent Income Received in Advance.....									
<u>Fixed Liabilities</u>									
Mortgage Payable .....									
TOTAL LIABILITIES .....									
<i>CAPITAL</i>									
NET WORTH									
TOTAL LIABILITIES AND CAPITAL									

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**Part II**

Answer either question 3 or question 4.

3 The following bank reconciliation was prepared by the bookkeeper for Charles Wilson and Company:

Charles Wilson and Company  
Bank Reconciliation  
May 31, 1958

Checkbook Balance	\$2,175.67	Bank Statement Balance	\$2,223.15
Less: Bank service charge	8.42	Add: Deposit by mail 5/31/58	130.00
		Total	\$2,353.15
		Less: Outstanding checks:	
		#127	\$126.30
		#131	43.20
		#134	16.40
			185.90
		#129 certified \$475.	
Adjusted checkbook balance	<u>\$2,167.25</u>	Available bank balance	<u>\$2,167.25</u>

Answer the following questions relating to the bank reconciliation given above:

- a Why did the bookkeeper prepare this bank reconciliation? [3]
  - b Why did he deduct the bank service charge from the checkbook balance? [2]
  - c Why did he add the deposit by mail made on May 31 to the bank statement balance? [2]
  - d What is an outstanding check? [2]
  - e Describe *one* method that may be used to determine which checks are outstanding. [3]
  - f Why is check #129 listed as outstanding but not deducted with the other outstanding checks? [3]
- 4 Give *one* good reason why *each* of the following statements is true.
- a It is safer to write a *full* endorsement on a check than a *blank* endorsement. [3]
  - b The use of special columns in journals saves time. [3]
  - c One should fill out the checkbook stub before writing the check. [3]
  - d A customer's note that is discounted becomes a contingent liability. [3]
  - e Controlling accounts aid the bookkeeper to check the accuracy of the subsidiary ledgers. [3]

Part III

Answer either question 5 or question 6.

5 Answer all parts of this question:

- a During the year, the proprietor withdrew \$10,000 from the business for his personal use. At the end of the year, there is a net increase in his capital amounting to \$12,000. How much was his net profit for the year, assuming that he made no additional investment? [2]
- b What adjusting entry should be made at the end of the business period to record unpaid salaries amounting to \$1,000? [2]
- c What should a businessman do with a certified check that he has drawn if he decides not to give the check to the payee? [2]
- d You have just made an entry in an account and realize that, in posting, you copied the amount incorrectly. The amount shown in the journal is correct. How should you go about making the correction? [2]
- e A customer has given us a bank draft in payment of an invoice. In which journal would you record this transaction? [2]

6 On the line at the right of *each* statement, write the word or expression that best completes the statement. [One credit for each correct answer; no partial credit.] [10]

- a The difference between the current assets and current liabilities is the . . . . a.....
- b If the cost of goods sold is divided by the average inventory, the result is known as the . . . . b.....
- c If the terms of an invoice dated April 15 are  $\frac{2}{10}$ , E.O.M. and you wish to take advantage of the cash discount, the invoice should be paid by . . . . c.....
- d A draft purchased at the post office is a (an) . . . . d.....
- e An endorsement that reads "For deposit only (signed) George Walsh" is a(an) . . . endorsement. e.....
- f When goods are sold f.o.b. shipping point, freight charges are paid by the . . . . f.....
- g Quarterly payroll tax reports are filed for periods of . . . months. g.....
- h Individuals are required to pay their federal income taxes on or before . . . . h.....
- i If we wish to notify a customer that we are giving him credit for goods that he has returned, we send him a (an) . . . . i.....
- j The words "to the order of" are essential to a check or promissory note to make that instrument . . . . j.....

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