

The University of the State of New York

REGENTS HIGH SCHOOL EXAMINATION

**BOOKKEEPING
AND ACCOUNTING II**

Wednesday, June 22, 1983 — 1:15 to 4:15 p. m., only

The answers to the questions on this examination are to be written in the separate answer booklet. Be sure to fill in the heading of your answer booklet.

When you have completed the examination, you must sign the statement printed at the end of the answer booklet, indicating that you had no unlawful knowledge of the questions or answers prior to the examination and that you have neither given nor received assistance in completing the examination. Your answer booklet cannot be accepted if you fail to sign the declaration.

DO NOT OPEN THIS EXAMINATION BOOKLET UNTIL THE SIGNAL IS GIVEN

Part I

Write the answers to all questions in the separate answer booklet.

Financial Statements

Directions (1-10): Each of the items in the following list belongs in either the Income Statement or the Balance Sheet. On the form provided in the answer booklet, place a check (✓) under the appropriate heading to indicate on which financial statement the item should be listed. [10]

- 1 Interest Income
- 2 Petty Cash
- 3 Accumulated Depreciation—Store Equipment
- 4 Freight In
- 5 Insurance Expense
- 6 Merchandise Purchases
- 7 Salaries Payable
- 8 Notes Receivable
- 9 Office Furniture
- 10 Retained Earnings

Analyzing Accounts

Directions (11-15): Base your answers to questions 11 through 15 on the account shown below. [10]

Name Charles Pepper, Inc.
 Address 33 Austin Ave., Albany, N.Y. 12203 Terms: 2/10, E.O.M.

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
¹⁹⁸² May 3	Inv. # 4831	P4		500 00	500 00
7	CM # 52	J12	100 00		400 00
June 8	Ck. # 780	CP5	400 00		
15	Inv. # 4911	P5		700 00	700 00
17	Prepaid Freight on Inv. # 4911	J14		50 00	750 00

- 11 In which subsidiary ledger will this account appear?
- 12 What business transaction took place on May 7?
- 13 What should have been the correct amount of the check mailed on June 8?
- 14 Explain the meaning of CP5 in the Posting Reference column of the June 8 transaction.
- 15 What business transaction took place on June 17?


Classification of Accounts

Directions (16–25): For *each* account listed in 16 through 25, select the classification of accounts, *chosen from the list below*, that correctly classifies that account and write its *number* in the space provided in the separate answer booklet. [Note: A classification of accounts may be used more than once or not at all.] [10]

Classifications of Accounts

- (1) Current Assets
- (2) Fixed Assets
- (3) Current Liabilities
- (4) Long-Term Liabilities
- (5) Capital
- (6) Income
- (7) Cost of Merchandise
- (8) Expenses

- 16 Mortgage Payable (due 1997)
 - 17 Corporate Federal Income Tax
 - 18 New York State Sales Taxes Payable
 - 19 P. R. Rhine, Drawing
 - 20 Sales
 - 21 Income and Expense Summary
 - 22 Salaries
 - 23 Discount on Purchases
 - 24 Building
 - 25 Sales Returns and Allowances
-

 GO RIGHT ON TO THE NEXT PAGE.

Adjustments

Directions (26-34): Base your answers to questions 26 through 34 on the partial trial balance and additional information below. Write your answers in the separate answer booklet. [9]

Marone & Sons Partial Trial Balance December 31, 1982

Merchandise Inventory 1/1/82	\$18,000	
Merchandise Purchases	32,500	
Allowance for Bad Debts		\$ 180
Insurance Expense	640	
Salesmen's Commissions Expense	18,700	
Interest Income		296
Rent Income		1,200
<hr/>		

Additional Information — December 31, 1982

Merchandise Inventory—\$20,000
Unexpired Insurance—\$100
Accrued Salesmen's Commissions—\$400
Accrued Interest Income—\$10
Prepaid Rent Income—\$300
Additional Allowance for Bad Debts—\$200

What amount will appear on the Balance Sheet as of December 31, 1982, for each of the following?

- 26 Prepaid Insurance
 - 27 Salesmen's Commissions Payable
 - 28 Interest Receivable
 - 29 Allowance for Bad Debts
-

What amount will appear on the Income Statement for the year ended December 31, 1982, for each of the following?

- 30 Insurance Expense
 - 31 Salesmen's Commissions Expense
 - 32 Interest Income
 - 33 Rent Income
 - 34 Bad Debts Expense
-

Practical Accounting Applications

35 The following is a completed payroll register. On the journal provided in the separate answer booklet, record and pay this payroll. [Omit date and explanation.] [3]

PAYROLL REGISTER

EMPLOYEE		EARNINGS			DEDUCTIONS					NET PAY		
NO.	NAME	REGULAR	OVERTIME	TOTAL	INCOME TAX	FICA TAX	INSURANCE PREMIUMS	UNION DUES	OTHER	TOTAL	AMOUNT	CK. NO.
1	Simon, M.	245 00	—	245 00	39 10	16 29	—	5 00	—	60 39	184 61	/
2	Grasso, P.	215 00	32 00	247 00	36 50	16 23	—	5 00	—	57 73	189 27	/
3	Karlson, K.	180 00	25 00	205 00	20 30	13 63	—	5 00	—	38 93	166 07	/
TOTALS		640 00	57 00	697 00	95 90	46 15	—	15 00	—	157 05	539 95	

Directions (36–40): For each of the common bookkeeping errors listed below, place a check (✓) in the appropriate column in the separate answer booklet to indicate whether the error would or would not be revealed by a trial balance. [5]

- 36 Totaling a single-column Sales Journal incorrectly
- 37 Adding the cash debit column in the Cash Receipts Journal incorrectly
- 38 Posting the proper amount to the wrong customer's account
- 39 Journalizing the same transaction twice
- 40 Posting a debit of \$120 as \$210

41 Record the following transaction in the journal form in the separate answer booklet. [Note: Omit explanations.] [2]

October 13—The Board of Directors met and declared a dividend of \$2.00 on each of 20,000 shares of outstanding stock to be paid to stockholders of record as of November 1.

➡ GO RIGHT ON TO THE NEXT PAGE.

Directions (42-43): Base your answers to questions 42 and 43 on the summary of the aging of accounts receivable for the Saginaw Company on March 31, 1983, shown below.

SUMMARY OF ACCOUNTS RECEIVABLE

Age of Account	Total of Age Group	Estimated Percent of Total Amount That Is Uncollectible
Not yet due	\$21,500	1%
1-30 days	8,100	3%
31-60 days	4,400	5%
61-90 days	3,000	15%
Over 90 days	900	40%
Total	\$37,900	—

42 What is the total dollar amount of accounts receivable that the Saginaw Company estimates to be uncollectible? [2]

43 What is the amount of the net value of accounts receivable that would be shown on the March 31 Balance Sheet of the Saginaw Company? [1]

44 The inventory card for Model No. 1080 is shown below. As the card indicates, there are 250 items on hand as of April 30. Calculate the value of that inventory using the LIFO method of inventory valuation. [2]

INVENTORY CARD				
No. 1080				
Date	Quant. Rec'd	Unit Cost	Quant. Sold	Balance
178 Apr. 3	200	46.50		200
7			125	75
8	175	48.00		250
16			185	65
20	160	48.50		225
22			175	50
30	200	49.00		250

45 In the partnership of Jung and Liu, the investments are as follows: T. Jung, \$30,000 and L. Liu, \$15,000. All net income or net loss is to be divided according to the partners' investment ratio. The partnership had a net loss of \$15,000 for the year.

On the form provided in the separate answer booklet, make the December 31 entry to close the income and expense summary account. [Note: Omit explanation.] [2]

Journalizing

46 The General Journal, Cash Receipts Journal, and Cash Payments Journal appear in the separate answer booklet. [Note: It is important to examine the columnar headings in these journals to determine which special columns are being used.]

On March 1, 1983, the partnership of Conn & Jones had a cash balance of \$4,375. In the separate answer booklet, make, with sufficient explanations, entries for the following selected transactions, checking all items that should *not* be posted separately.

Begin issuing checks with number 701. [30]


- March 2 Issued a check for \$300 to Lande Marke Insurance in payment of the fire insurance premium for one year.
- 4 Received a 30-day, 10% note for \$360 from Forbes Co. in settlement of account.
- 6 Borrowed money from Security Trust Bank by discounting our promissory note for \$800. The bank credited our account for the net proceeds of \$720.
- 9 Received a check from Easton & Co. in payment of invoice of February 27 for \$400 less 3%.
- 10 Evelyn Conn, a partner, invested an additional \$1,500 in the business.
- 11 Sent a check to Bilins, Inc. in payment of invoice dated March 2 for \$600, terms 2/10, n/30.
- 13 Wrote a check for \$25 to the World Transport Co. for goods shipped to Smith's Department Store. We charged this amount to their account.
- 19 Merchandise valued at \$125 was returned to us by our customer, John Sullivan. Issued credit memo 423.
- 25 Sent a check for \$75 for freight on goods we purchased.
- 31 Sold goods for \$180 cash.

Summarize and close all journals. Check any totals that are not to be posted.

Show the cash balance on April 1 in the Cash Receipts Journal.

Posting

47 A General Journal for the month of June 1982 is shown in the separate answer booklet. Post the daily entries and totals to the appropriate ledger accounts. Check any totals not to be posted. [4]

 GO RIGHT ON TO THE NEXT PAGE.

Part II

Theory

Directions (48-59): Answer any 10 of the 12 questions in this part. Write the answers in the spaces provided in the separate answer booklet. [10]

- 48 Which form is prepared to verify that the total of the account balances in the Customers Ledger agrees with the balance in the controlling account in the General Ledger?
- 1 worksheet
 - 2 schedule of accounts payable
 - 3 schedule of accounts receivable
 - 4 trial balance
- 49 If the merchandise inventory on hand at the end of 1982 was overstated, what will be the result of this error?
- 1 understatement of income for 1982
 - 2 overstatement of income for 1982
 - 3 understatement of assets at the end of 1982
 - 4 no effect on income or assets
- 50 Working capital is found by subtracting the total current liabilities from the total
- 1 fixed liabilities
 - 2 fixed assets
 - 3 current income
 - 4 current assets
- 51 Which is the correct procedure for calculating the rate of merchandise turnover?
- 1 Gross Sales divided by Net Sales
 - 2 Cost of Sales divided by Average Inventory
 - 3 Net Purchases divided by Average Inventory
 - 4 Gross Purchases divided by Net Purchases
- 52 In the preparation of a balance sheet, failure to provide an allowance for depreciation of furniture and fixtures will result in
- 1 overstating assets and overstating capital
 - 2 understating assets and understating capital
 - 3 overstating assets and understating capital
 - 4 understating assets and overstating capital
- 53 The bank statement at the end of the month indicated a bank charge for printing a new checkbook. How is this information recorded?
- 1 Debit Cash and credit Office Supplies.
 - 2 Debit Office Supplies and credit the Bank Charges.
 - 3 Debit the Bank Charges and credit Office Supplies.
 - 4 Debit Miscellaneous Expense and credit Cash.
- 54 The Allowance for Doubtful Accounts appears on the balance sheet as a deduction from
- 1 Accounts Receivable
 - 2 Notes Receivable
 - 3 Accounts Payable
 - 4 Notes Payable
- 55 The Tucker Equipment Corporation had a \$45,000 profit for the year ended December 31, 1982. Which would be the proper entry to close the Income and Expense account at the end of the year?
- 1 Debit Income and Expense Summary; credit Tucker, Capital.
 - 2 Debit Income and Expense Summary; credit Tucker, Drawing.
 - 3 Debit Income and Expense Summary; credit Retained Earnings.
 - 4 Debit Income and Expense Summary; credit Capital Stock.
- 56 A failure to record a purchases invoice would be discovered when the
- 1 monthly statement of account is sent to the customer
 - 2 check is received from the customer
 - 3 check is sent to the creditor
 - 4 statement of account is received from the creditor
- 57 Which General Ledger account would appear in a post-closing trial balance?
- 1 Notes Receivable
 - 2 Bad Debts Expense
 - 3 Sales Discount
 - 4 Fee Income
- 58 Which deduction is affected by the number of exemptions claimed?
- (1) New York State Disability
 - (2) New York State income tax
 - (3) FICA tax
 - (4) Workers' Compensation
- 59 The face value of a 60-day, 12% promissory note is \$900. The maturity value of this note will be
- (1) \$909
 - (2) \$900
 - (3) \$918
 - (4) \$1,008

FOR TEACHERS ONLY

BK BOOKKEEPING AND ACCOUNTING II

Wednesday, June 22, 1983 — 1:15 to 4:15 p.m., only

SCORING KEY

Mechanics of Rating

Note: Do not refer to the *Guide for Rating Regents Examinations and Competency Tests in Business Subjects*, (1974 edition), when rating student answer papers for this examination.

- (1) Use red ink or red pencil in rating papers. Do not correct the student's work by making insertions or changes of any kind.
- (2) Next to errors and omissions on questions, place a checkmark (✓) if the question is worth 2 points or a slash mark (/) if the question is worth 1 point. For free-answer questions, underline written errors, indicate omissions with a caret, and circle errors in computations. Mark all errors distinctly.
- (3) Write the number of points allowed for each section on the right-hand side of the paper at the end of each section.
- (4) After the rating of a paper has been completed, indicate the total number of points allowed for each section within Part I and the total number of points allowed for Part II in the appropriate spaces in the upper right-hand corner on the front of the answer booklet.
- (5) Record the total examination score (the sum of the points allowed for Part I and II) in the appropriate space in the box on the front of the answer booklet.
- (6) Check carefully for mechanical errors (addition, subtraction, etc.).
- (7) Write your initials clearly in the appropriate space on the front of the answer booklet.

Part I

Financial Statements

Allow a total of 10 points, 1 point for each of the following:

	<i>Income Statement</i>	<i>Balance Sheet</i>
(1)	✓	
(2)		✓
(3)		✓
(4)	✓	
(5)	✓	
(6)	✓	
(7)		✓
(8)		✓
(9)		✓
(10)		✓

Analyzing Accounts

Allow a total of 10 points, 2 points for each of the following. Allow *no* partial credit.

- (11) Accounts Payable Ledger *or* Creditors Ledger
- (12) A credit memo for an allowance for damaged or returned merchandise was received.
- (13) \$392
- (14) The entry was journalized on page 5 of the Cash Payments Journal.
- (15) Pepper, Inc. prepaid freight for merchandise delivered to our business; the charge for the prepaid freight was recorded in our Accounts Payable Ledger.

Classification of Accounts

Allow a total of 10 points, 1 point for each of the following:

- (16) 4
- (17) 8
- (18) 3
- (19) 5
- (20) 6
- (21) 5
- (22) 8
- (23) 7
- (24) 2
- (25) 6

Adjustments

Allow a total of 9 points, 1 point for each of the following:

- | | | |
|------------|---------------|------------|
| (26) \$100 | (29) \$380 | (32) \$306 |
| (27) \$400 | (30) \$540 | (33) \$900 |
| (28) \$10 | (31) \$19,100 | (34) \$200 |

Practical Accounting Applications

(35) Deduct 1 point for each incorrect or omitted debit or credit *and* 1 point for each incorrect amount, for a maximum deduction of 3 points. After the deductions have been made, indicate the number of points *allowed* in the student's answer booklet.

JOURNAL

ACCOUNT TITLE	POST. REF.	DEBIT	CREDIT
Salary Expense		697.00	
Employee Income Taxes Payable			95.90
FICA Taxes Payable			46.15
Union Dues Payable			15.00
Cash			539.95
OR			
Salary Expense		697.00	
Employee Income Taxes Payable			95.90
FICA Taxes Payable			46.15
Union Dues Payable			15.00
Salaries Payable			539.95
Salaries Payable		539.95	
Cash			539.95

BOOKKEEPING AND ACCOUNTING II — *continued*

Allow a total of 5 points, 1 point for each of the following:

Error Revealed by Trial Balance

	Yes	No
(36)		✓
(37)	✓	
(38)		✓
(39)		✓
(40)	✓	

- (41) Deduct 1 point for each incorrect or omitted debit or credit *and* 1 point for each incorrect amount, for a maximum deduction of 2 points. After the deductions have been made, indicate the number of points *allowed* in the student's answer booklet.

JOURNAL

Page 1

DATE	ACCOUNT TITLE	DEBIT	CREDIT
198-			
Oct. 13	Retained Earnings	4000000	
	Dividends Payable		4000000

- (42) Allow 2 points; allow *no* partial credit.
\$1,488
- (43) Allow 1 point. Do not penalize an incorrect answer if the error is *solely* the result of an incorrect answer to question 42.
\$36,412
- (44) Allow 2 points; allow *no* partial credit.
\$11,700
- (45) Deduct 1 point for each incorrect or omitted debit or credit *and* 1 point for each incorrect amount, for a maximum of 2 points. After the deductions have been made, indicate the number of points *allowed* in the student's answer booklet.

GENERAL JOURNAL

Page 4

DATE	ACCOUNT TITLE	POST. REF.	DEBIT	CREDIT
198-				
Dec. 31	T. Jung, Drawing (or Capital)		1000000	
	L. Liu, Drawing (or Capital)		500000	
	Income And Expense Summary			1500000

Journalizing

(46) Deductions shown in the *Guide for Rating Regents Examinations and Competency Tests in Business Subjects*, (1974 edition), for rating the Journalizing problem should *not* be used; instead refer to the following guide when rating the Journalizing problem.

- Deduct 1 point for each incorrect or omitted debit or credit. The maximum deduction for a simple entry, 1 debit and 1 credit, is 2 points, and for a compound entry, 3 or more general ledger accounts, is 3 points.
- Deduct 1 point for each failure to indicate by a bracket entry, or otherwise, that controlling accounts are used in the ledger when the system required in the question makes them necessary.
- Deduct 1 point for each omission of an explanation or cash balance, for a maximum deduction of 2 points for each type of error.
- Deduct 1 point for each error in copying or calculation.
- Deduct 1 point for each error in summary entry, for a maximum deduction of 2 points for each journal summary. Summary errors include failure to total each column in a journal, ruling the columns, improperly using post reference marks, and the omission or reversal of accounts when required for closing the journals.
- Deduct 1 point for entering the transaction in the wrong journal when the accounts and amounts are correct.
- Deduct 1 point for placing an amount in the wrong column of a journal, for a maximum deduction of 2 points for any one column.
- Deduct 1 point for failure to enter the proper date (year or month or day) of a transaction, or unnecessary repetition of the month or year, for a maximum deduction of 2 points for the entire problem.
- Deduct 1 point for error in checking or failing to check the posting reference column for an entry when necessary, for a maximum deduction of 2 points for the entire problem.
- Deduct 1 point for writing the title of the controlling account in the journal when a special column is being used for that controlling account, for a maximum deduction of 2 points for the entire problem.
- Deduct a maximum of 1 point for the entire problem for an error in or omission of the check number.
- Do not deduct any points for an error if that error is a result of an error already penalized.

Use the solution given below and on the next page as a guide in rating papers, but allow other correct bookkeeping methods and procedures. The maximum deduction is 30 points. After the deductions have been made, indicate the points *allowed* in the student's answer booklet.

GENERAL JOURNAL

ACCOUNTS PAYABLE DEBIT	GENERAL LEDGER DEBIT	DATE	ACCOUNT TITLE AND EXPLANATION	POST. REF.	GENERAL LEDGER CREDIT	ACCOUNTS RECEIVABLE CREDIT
	360.00	1983 Mar 4	Notes Receivable Forbes Company 30-day, 10% note			360.00
	125.00	19	Sales Returns And Allowances John Sullivan CM 423			125.00
—	485.00	31	Totals		—	485.00
	(✓)				(✓)	

CASH RECEIPTS JOURNAL

DATE 1983	ACCOUNT CREDITED	EXPLANATION	POST. REF.	GENERAL LEDGER CR.	ACCOUNTS RECEIVABLE CR.	SALES CR.	SALES DISCOUNT DR.	CASH DR.
MAR 1	Cash Balance	\$ 4,375	✓					
6	Notes Payable **	Discounted our note		800 00				800 00
9	Easton + Co.	Inv. Feb. 27, less 3%			40 000		1 200	38 800
10	Evelyn Conn. Capital	Additional Investment		150 000				150 000
31	Sales or "✓"	Cash Sales	✓			180 00		180 00
31	Totals			230 0 00	40 0 00	180 00	1 200	286 8 00
				(✓)				
Apr 1	Cash Balance	\$ 6,175	✓					
** 6	Notes Payable	Discounted our note		800 00			I.E. 8 000	720 00

CASH PAYMENTS JOURNAL

DATE 1983	ACCOUNT DEBITED	EXPLANATION	CHECK NO.	POST. REF.	GENERAL LEDGER DR.	ACCTS. PAY. DR.	FREIGHT IN DR.	PURCH. DISC. CR.	CASH CR.
Mar 2	Prepaid Insurance *	Fire Ins. Premium	701		300 00				300 00
6	Interest Expense	Discounted our note	-		80 00				80 00
11	Bilins Inc.	Invoice Mar 2, less 2%	702			60 000		1 200	58 8 00
13	A/R Smith's Dept. Store	Prepaid freight	703	✓	25 00				25 00
25	Freight In. or "✓"	Paid freight	704	✓			7 5 00		7 5 00
31	Totals				405 00	60 0 00	7 5 00	1 200	106 8 00
					(✓)				
* 2	Insurance Expense	Fire Ins. Premium	701		300 00				300 00

Posting

- (47) Deduct 1 point for each error, for a maximum deduction of 2 points for each posting. Deduct a maximum of 2 points for the incorrect use or omission of post reference marks or date. Do not deduct any points for an error that occurs *solely* as a result of a previous error. After the deductions have been made, indicate the number of points *allowed* in the student's answer booklet.

GENERAL JOURNAL

ACCOUNTS PAYABLE DEBIT	GENERAL LEDGER DEBIT	DATE	ACCOUNT TITLE AND EXPLANATION	POST. REF.	GENERAL LEDGER CREDIT	ACCOUNTS RECEIVABLE CREDIT
	80000	1982 June 8	Notes Receivable Terry Black	103 ✓		80000
			30-day, 9%			
	50000	23	Accounts Receivable—Mel Carson	105 ✓		
			Notes Receivable	103	50000	
			charge dishonored note back to Carson's acc't.			
— 0 —	130000	30	Totals		50000	80000
(-)	(✓)				(✓)	(105)

GENERAL LEDGER

NOTES RECEIVABLE

No. 103

DATE	EXPLANATION	POST. REF.	DEBIT	DATE	EXPLANATION	POST. REF.	CREDIT
1982 June 1	Balance	—	50000	1982 June 23		J12	50000
June 8		J12	80000				

ACCOUNTS RECEIVABLE

No. 105

DATE	EXPLANATION	POST. REF.	DEBIT	DATE	EXPLANATION	POST. REF.	CREDIT
1982 June 1	Balance	—	180000	1982 June 30		J12	180000
June 23		J12	50000				

ACCOUNTS RECEIVABLE LEDGER
(PARTIAL)

Name *Black, Terry*

Address

Terms: n/30

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
1982 May 9		S21	80000		80000
June 8		J12		80000	—

Name *Carson, Mel*

Address

Terms: n/30

DATE	EXPLANATION	POST. REF.	DEBIT	CREDIT	BALANCE
1982 Apr 24		S19	50000		50000
May 24		J11		50000	—
June 23		J12	50000		50000

BOOKKEEPING AND ACCOUNTING II — *concluded*

Part II

Theory

Allow a total of 10 points, 1 point for each of 10 of the following. If more than 10 questions are answered, rate only the first 10.

(48) 3	(50) 4	(52) 1	(54) 1	(56) 4	(58) 2
(49) 2	(51) 2	(53) 4	(55) 3	(57) 1	(59) 3