

The University of the State of New York

320TH HIGH SCHOOL EXAMINATION

BOOKKEEPING II

Tuesday, January 26, 1954 — 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 time requirement is four or five recitations a week for two school years.

Answer four questions, including both of the questions in part I, one question from part II and one question from part III.

Part I

Answer both questions in this part.

1 Use the following journals, with special columns as indicated:

Sales Journal

Purchases Journal

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, Office Supplies, Accounts Payable, Purchase Discount, Net Cash

[Note: In the general journal only FOUR columns are required; in the cash receipts journal FOUR columns are required; and in the cash payments journal FIVE columns are required. Be sure to answer both part a and part b of this question.]

Stevens and Mills are partners in a wholesale furniture business. On December 1, 1953, the firm's bank balance was \$3485.

a Make, with sufficient explanations, entries for the following selected transactions, checking all items that should not be posted separately:

- December 2 Sent a check for \$40 to the Royal Printing Co. for office stationery received today.
- December 3 Sold to Richard Wright, Syracuse, N. Y., merchandise invoiced at \$586, terms, $\frac{2}{10}$, $\frac{N}{30}$.
- December 7 Sent a credit memorandum to Richard Wright for \$25 as an allowance on our shipment of December 3. He had notified us that one piece of furniture shipped to him on that date was damaged.
- December 8 Bought from the Diamond Furniture Co., Buffalo, N. Y., merchandise invoiced at \$2400, terms $\frac{2}{10}$, $\frac{N}{60}$.
- December 10 Received a check for \$75 from the receiver of John Barton, a bankrupt customer, as final payment of his account. Barton owed us \$250. There is no balance in the Reserve for Bad Debts account.
- December 11 Received a check for \$549.78 from Richard Wright in payment of invoice of December 3 less the allowance given him on the 7th and less a 2% cash discount.
- December 14 Bought from Barlowe and Simpson, Smithtown, N. Y., merchandise invoiced at \$865.20, terms 60-day note.
- December 15 Sent our 60-day note for \$865.20 to Barlowe and Simpson in settlement of invoice of December 14.
- December 16 Sent a check for \$150 to the Elite Typewriter Co. in payment of a typewriter that we bought from them for \$140 and various supplies, such as typewriter ribbons, carbon paper, etc., for \$10.

- December 17 Sent a check to the Diamond Furniture Co. in payment of their invoice of December 8 less the 2% discount.
- December 18 Discounted at the First National Bank our 60-day promissory note for \$2000 and received credit for the net proceeds, \$1980.
- December 23 We discovered an error made last month in connection with the purchase of filing equipment for our office from the Atlas Co. We had charged the Office Supplies account for \$120 instead of the Office Equipment account. Make the correction entry.
- December 29 Received George Stevens' personal check for \$3000 as an additional permanent investment in the business.
- December 31 Our bank charged \$4.65 to our account as a service charge for the month of December.

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

b Post to the ledgers from the *cash payments journal only*. Show all dates and folio numbers. [Include the entries that would normally be posted during the month as well as the totals at the end of the month.] [10]

2 Answer both *a* and *b*:

a Answer the following questions relating to the trading section of the profit and loss statement of Browning and Marshall printed below:

- (1) What part of every dollar received from net sales is the cost of the goods sold? [Show all calculations.] [3]
- (2) Why is Freight and Cartage In added to the purchases? [2]

BROWNING & MARSHALL
Statement of Profit and Loss
January 1, 1953–December 31, 1953

Merchandise Sales

| | | |
|-------------------------|---------|---------|
| Gross Sales | 212,960 | |
| Less Sales Returns..... | 11,360 | |
| | | |
| Net Sales | | 201,700 |

Cost of Goods Sold

| | | |
|--|---------|---------|
| Merchandise Inventory, Jan. 1, 1953..... | 185,818 | 61,412 |
| Purchases | 4,220 | |
| Freight and Cartage In..... | | |
| | 190,038 | |
| Less Purchases Returns..... | 462 | |
| | | |
| Net Purchases | | 189,576 |
| | | |
| Total Cost of Merchandise for Sale..... | | 250,988 |
| Less Merchandise Inventory, Dec. 31, 1953..... | | 85,594 |
| | | 165,394 |
| Cost of Goods Sold..... | | |
| | | 165,394 |
| Gross Profit on Sales..... | | 36,306 |

[Do not overlook part *b* of this question, which appears on the following page.]

- b* Charles Reuben and Arthur Chandler are partners sharing profits and losses according to their investments on January 1, 1953. The following information was obtained from their ledger accounts:

| | |
|---|----------|
| Investments on January 1, 1953 | |
| Charles Reuben | \$60,000 |
| Arthur Chandler | 40,000 |
| Withdrawals during the year | |
| Charles Reuben | \$12,800 |
| Arthur Chandler | 8,900 |
| Net Profit for the year ending December 31, 1953..... | \$24,500 |

- (1) Prepare the *capital section* of their balance sheet (or a statement of proprietorship) as of December 31, 1953. [8]
- (2) What is the rate of return on the total investment as of January 1, 1953? [2]

Part II

Answer either question 3 or question 4.

- 3 All of the following statements are true. Select *five* and give one good *reason* for the correctness of each statement chosen. [Mere repetition of the statement will not be accepted.] [15]

- a* Withholding taxes help employees pay their income taxes.
- b* On a bank reconciliation statement, outstanding certified checks should not be deducted from the bank statement balance.
- c* Immediately after making an arithmetic computation, the bookkeeper should check his work.
- d* The Accounts Receivable controlling account serves as a check on the customers' accounts in the Accounts Receivable ledger.
- e* Even though no errors may have been made, the checkbook balance at the end of the month usually is not the same as the bank statement balance.
- f* The use of the imprest cash fund or the petty cash fund is a valuable method of handling small payments.
- g* The check stub should always be filled out before the check is written.

- 4 Assume that you are a bookkeeper confronted with the following situations. Explain how you would make the necessary correction or adjustment for each. [Assume that controlling accounts are used.] [15]

- a* In posting from the sales journal to the customers' ledger, you incorrectly entered \$127 in a customer's account instead of \$12.70, the amount appearing in the sales journal.
- b* At the end of the fiscal period, accrued salaries amounted to \$1000.
- c* At the end of the fiscal period, the balance of the Store Supplies account amounted to \$100. An inventory of the store supplies actually on hand amounted to \$25.
- d* A check for \$200 received from R. J. Graham was erroneously posted to Robert Graham's account.
- e* A customer, Thomas Jones, sent us a check for \$400 in payment of a note due us. You incorrectly credited his account.

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

Detach this page and hand it in with your other answer paper.

Part III

Answer either question 5 or question 6.

5 On the line after *each* of the following sources of information, indicate the book of original entry in which the bookkeeper will record the transaction. [10]

| <i>Source of Information</i> | <i>Journal sales journal</i> |
|--|------------------------------|
| [Example: Sales invoice] | |
| a A check received from a customer | a..... |
| b A credit memorandum received from a creditor | b..... |
| c The checkbook stub showing the purchase of a desk | c..... |
| d A notice from our bank that a sight draft we had left with it for collection was collected and credited to our account | d..... |
| e A note received from a customer | e..... |
| f A petty cash voucher | f..... |
| g Inventory of merchandise at the end of the fiscal period | g..... |
| h Charge made by the bank for services rendered as shown on the monthly bank statement | h..... |
| i The duplicate of the credit memorandum sent to a customer | i..... |
| j A notice from the bank that a customer's check that we had deposited was returned because of insufficient funds | j..... |

6 At the right of *each* expression in *Column B* place the *number* of the word or expression in *Column A* that is most closely related to it. [One credit for each correct answer.] [10]

| <i>Column A</i> | <i>Column B</i> | |
|--|---|--------|
| (1) Accrued income | a A check issued by a depositor but not yet received by his bank | a..... |
| (2) Bill of lading | b A time draft which states on its face that it resulted from the sale or purchase of merchandise | b..... |
| (3) Book value | c "For deposit only, Arthur White" | c..... |
| (4) Cancelled check | d A deduction from employees' wages | d..... |
| (5) Certified check | e A receipt for goods shipped by railroad | e..... |
| (6) Current ratio | f A discount from the list price | f..... |
| (7) Deferred income | g A check that bears on its face the purpose for which it is made | g..... |
| (8) Full indorsement | h The excess of current assets over current liabilities | h..... |
| (9) Market value | i Income that has been received but not yet earned | i..... |
| (10) New York State Disability Insurance | j The value of a fixed asset found by deducting the reserve for depreciation from the cost of the asset | j..... |
| (11) Outstanding check | | |
| (12) Restrictive indorsement | | |
| (13) Sales discount | | |
| (14) Sales invoice | | |
| (15) Sight draft | | |
| (16) Trade acceptance | | |
| (17) Trade discount | | |
| (18) Unemployment Insurance | | |
| (19) Voucher check | | |
| (20) Working capital | | |