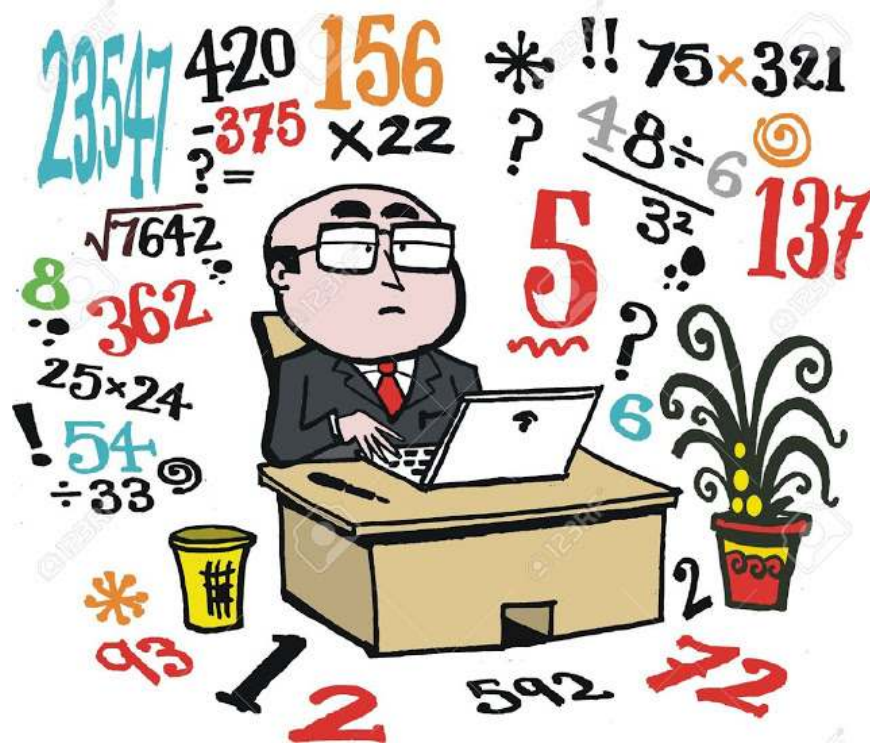


2018 UIL Capital Conference

Detailed Solutions

for Selected Problems from the
2018 District and Regional Exams



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UIL Accounting State Contest Director

2018 District Group 9

Begin by using the given information to calculate the expense amounts per fiscal year. I call this the spreadsheet approach.

Pmt Date	Annual Amt	Monthly Amt	Expense in the Year...			
			2015	2016	2017	2018
3-1-15	\$3,540	295	2,950	590	---	---
3-1-16	\$3,720	310	---	3,100	620	---
3-1-17	\$3,900	325	---	---	3,250	650
			2,950	3,690	3,870	xx

The following is provided to show you the given information in T-account presentation (vertical).

Prepaid Insurance		Insurance Expense	
1-1-15 -0-			
bought during 2015	3,540		
12-31-15 TB	3,540		
		2,950	
12-31-15 ATB & 1-1-16	590	2015 ADJ	2,950
bought during 2016	3,720		
12-31-16 TB	4,310		
		3,690	
12-31-16 ATB & 1-1-17	620	2016 ADJ	3,690
bought during 2017	3,900		
12-31-17 TB	4,520		
		3,870	
12-31-17 ATB & 1-1-18	650	2017 ADJ	3,870

The following is provided to show you the given information for 2016 in MODIFIED work sheet presentation (horizontal). The colors help you compare the T-account to the MODIFIED work sheet.

Beg. Bal.	Holly's Holiday Haven Worksheet						
Jan. 1	For the Year Ended December 31, 2016						
	Account Title	Trial Balance		Adjustments		Adjusted Trial Balance	
		Debit	Credit	Debit	Credit	Debit	Credit
590	Prepaid Ins	3,720	4,310		3,690	620	
	Insurance Expense			3,690			3,690

Pmt Date	Annual Amt	Monthly Amt	Expense in the Year...			
			2015	2016	2017	2018
3-1-15	\$3,540	295	2,950	590	---	---
3-1-16	\$3,720	310	---	3,100	620	---
3-1-17	\$3,900	325	---	---	3,250	650
			2,950	3,690	3,870	xx

Questions:

What is the amount on the work sheet for **Prepaid Insurance** for each of the following:

- 36. on 12-31-15 in the Trial Balance column \$3,540 (1-1-15 bal Zero + bot in 2015 \$3,540)
- 37. on 12-31-16 in the Trial Balance column \$4,310 (1-1-16 bal 590 + bot in 2016 \$3,720)
- 38. on 12-31-17 in the Trial Balance column \$4,520 (1-1-17 bal 620 + bot in 2017 \$3,900)

Pmt Date	Annual Amt	Monthly Amt	Expense in the Year...			
			2015	2016	2017	2018
3-1-15	\$3,540	295	2,950	590	---	---
3-1-16	\$3,720	310	---	3,100	620	---
3-1-17	\$3,900	325	---	---	3,250	650
			2,950	3,690	3,870	xx

What is the amount on the work sheet for **Insurance Expense** for each of the following:

- 39. on 12-31-15 in the Adjusted Trial Balance column \$2,950
- 40. on 12-31-16 in the Adjusted Trial Balance column \$3,690
- 41. on 12-31-17 in the Adjusted Trial Balance column \$3,870

Pmt Date	Annual Amt	Monthly Amt	Expense in the Year...			
			2015	2016	2017	2018
3-1-15	\$3,540	295	2,950	590	---	---
3-1-16	\$3,720	310	---	3,100	620	---
3-1-17	\$3,900	325	---	---	3,250	650
			2,950	3,690	3,870	xx

What is the amount on the work sheet for **Prepaid Insurance** for each of the following:

- 42. on 12-31-15 in the Adjusted Trial Balance column \$590
- 43. on 12-31-16 in the Adjusted Trial Balance column \$620
- 44. on 12-31-17 in the Adjusted Trial Balance column \$650

2018 Regional Group 2

New Concept

Buying a Group of Assets

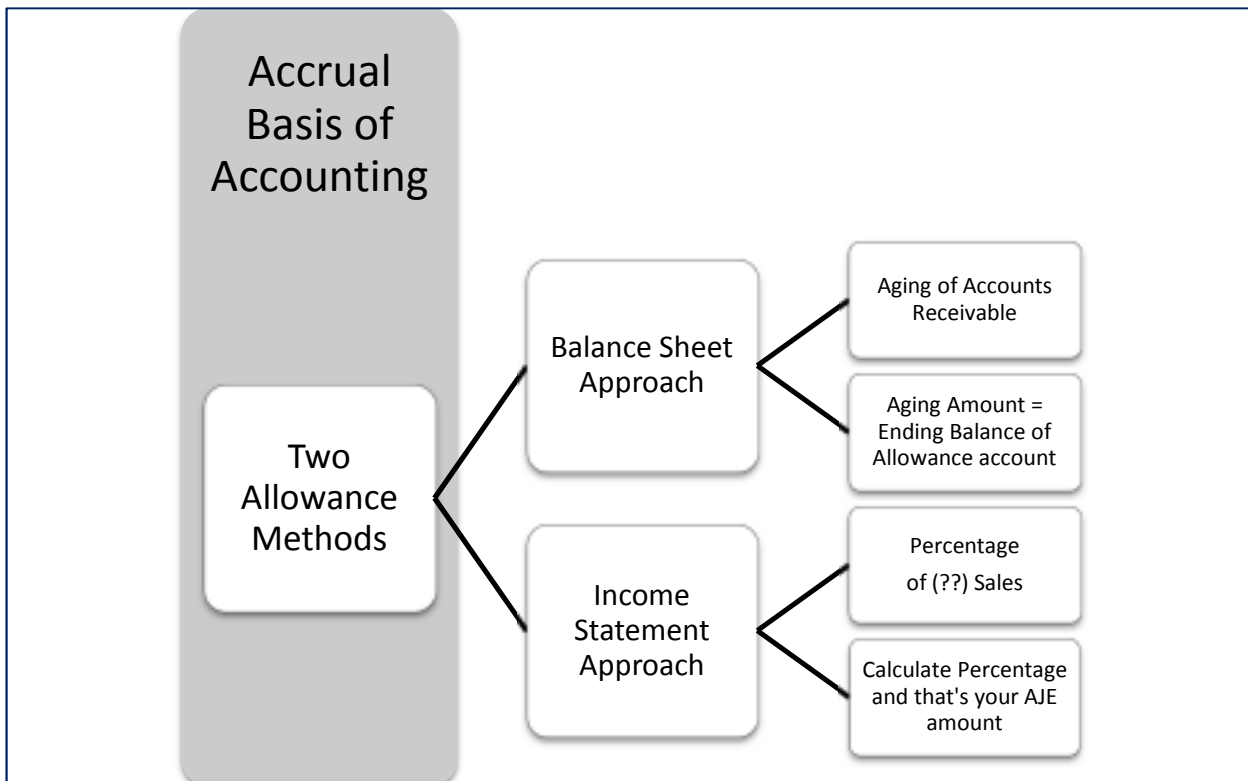
Century 21 page 586

2018 Regional Group 8

New Concept

Intangible Assets: Patents

Century 21 page 607



The following discussion about the two allowance methods is provided to review the theory. The diagrams use calculations that are independent from the 2018 Regional exam problems.

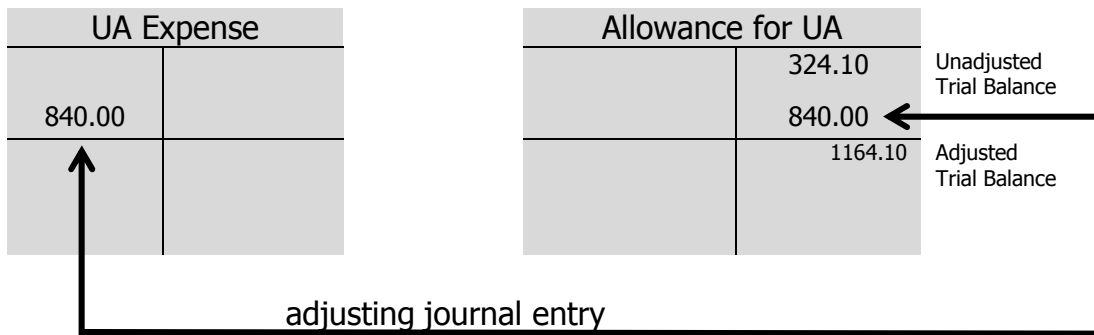
Percentage of Sales Method:

Note: the company may consistently CHOOSE to use either:

- net sales; OR
- total sales on account (charge sales)

Referred to as the Income Statement Approach because the focus is on MATCHING expenses and revenues.

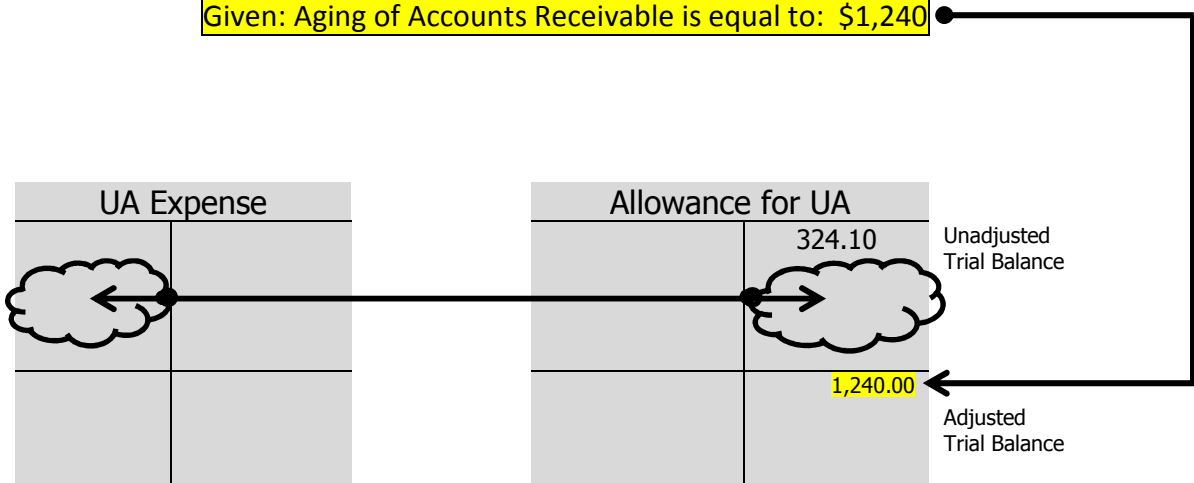
\$42,000 (Net Sales) x 2% (estimated historical %) = 840.00 (This is your AJE amount, and it doesn't matter what the unadjusted balance was in the Allowance account.)



Aging of Accounts Receivable Method


Referred to as the Balance Sheet Approach because the focus is on the Cash Realizable Value of A/Rec.

Given: Aging of Accounts Receivable is equal to: \$1,240



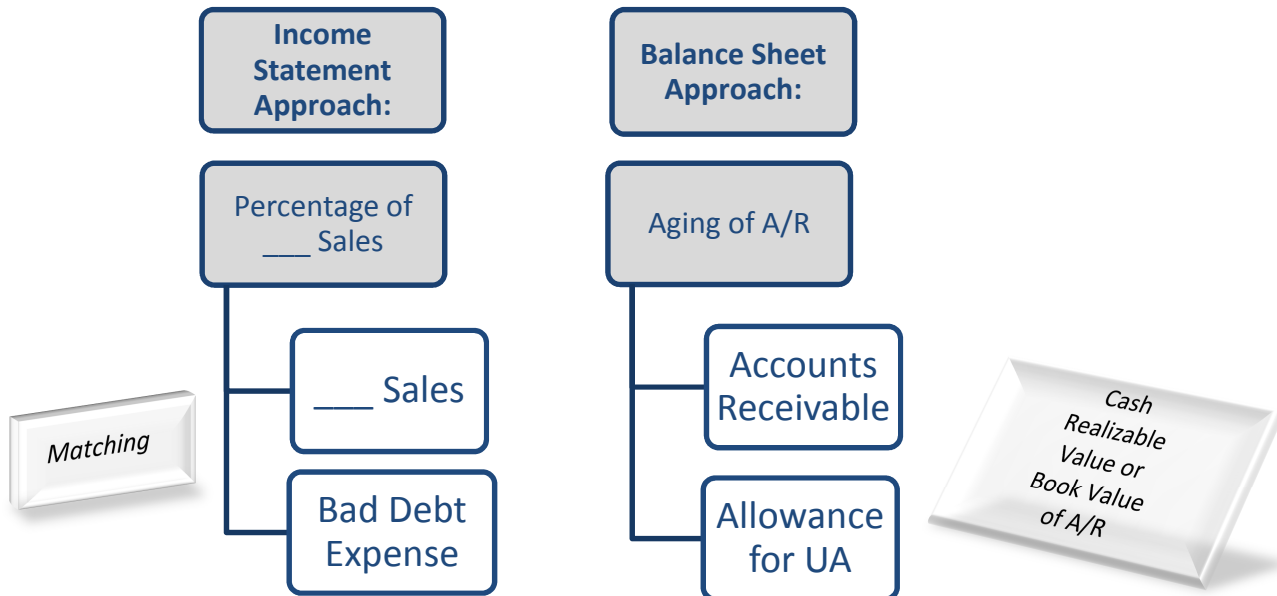
The amount in the "clouds" is the AJE amount: (1240.00 – 324.10 = 915.90).

Could Allowance for UA Ever Have a DEBIT Balance?

Allowance for UA	
	1200.00 Balance on Jan. 1 (per aging method)
April 14—Write off Lotta Luck 400.00	
Sept. 29—Write off Ima Badrisk 600.00	
Dec. 30—Write off Thad Zalfokes 500.00	
Dec. 31 Balance on Unadjusted TB: 300.00 DEBIT balance	 AJE Amount?
	2000.00 (per Aging Report dated Dec. 31)

Calculation: Aging Report 2,000 PLUS 300 debit balance = AJE of \$2,300

Comparison of Approaches:



2018 Regional Group 11 and Table 1

T-Accounts made using GIVEN information:

	200	1-1-17
no W/O		
	200	TB 12-31-17
	○	AJE??
	1,450	ATB 12-31-17

	1-1-17 ○	
purchased during		
TB 12-31-17	6,250	
	○	ADJ??
ATB 12-31-17	3,950	

Certified Supplies Inventory 12-31-17

Beg.	Burluson Co.						
Bal.	Worksheet						
Jan. 1	For the Year Ended December 31, 2017						
	Account Title	Trial Balance		Adjustments		Adjusted Trial Balance	
		Debit	Credit	Debit	Credit	Debit	Credit
	Merchandise Inventory					21,490	
	Income Summary						3,060

Certified Merchandise Inventory 12-31-17

Q#71

Burleson's STAFF accountant's calculation of Uncollectible Accounts Expense (or Bad Debt Expense): Ending Balance of Allowance account 1,450 – Beginning Balance of Allowance account 200 = Adjustment 1,250

Allowance for UA			UA Expense	
no W/O	200	1-1-17		
	200	TB 12-31-17		
	1,250	AJE	1,250	
	1450	ATB 12-31-17		

Q#72

Burleson's STAFF accountant's calculation of Supplies Expense:
Supplies in the Trial Balance 6,250 – Supplies in the Adjusted Trial Balance 3,950
= Supplies Expense \$2,300

	Supplies			Supplies Expense	
1-1-17					
purchased during	?				
TB	6,250				
		2,300	ADJ	2,300	
ATB	3,950				

Q#74 (yes, I skipped one)

Merchandise Inventory on January 1, 2017

Green color = given

Purple color = what the adjusting entry looked like based on Given Income Summary credit of \$3,060

Calculation: MI in ATB 21,490 – AJE DR 3,060 = Beginning MI 18,430

Beg.	Burleson Co.						
Bal.	Worksheet						
Jan. 1	For the Year Ended December 31, 2017						
	Account Title	Trial Balance		Adjustments		Adjusted Trial Balance	
		Debit	Credit	Debit	Credit	Debit	Credit
	Merchandise Inventory	18,430		3,060		21,490	
	Income Summary				3,060		3,060

Q#73

Gross Profit as Calculated by Burleson STAFF accountant BEFORE CPA audit:

Sales		96,210
BI	18,430	
Pur	60,510	
COMAS	78,940	
EI	21,490	
COMS		57,450
GP		38,760

In order to answer the remaining questions (#75 - #80) we must analyze the items found by the CPA during the audit.

Collection of "old" Accounts Receivable

- A customer account had been written off in a PRIOR year correctly.
- When this customer paid (\$600) in 2017, the Accounts Receivable account was NOT first reinstated (which would have debited Accounts Receivable and credited the Allowance account).
- The bookkeeper debited Cash correctly, BUT credited Sales in error.
- In order to correct Sales, we must debit Sales for \$600
- What should be credited?

	Sales			?????	
		96,210			
	600				600
		95,610			

- We cannot credit the Allowance account because the ending balance of \$1,450 must stay in agreement with the Aging of Accounts Receivable

Allowance for UA	
	200
no W/O	200
	1,250
	1,450

1-1-17
TB 12-31-17
AJE
ATB 12-31-17

Aging Report
12-31-17
\$1,450

- Think about how the Allowance account went from a \$200 credit balance to a credit of \$1,450.....it was the adjusting entry to Uncollectible Accounts Expense (or Bad Debt Expense). Therefore, the other half of the correction to Sales belongs in Uncollectible Accounts Expense (or Bad Debt Expense).

Sales		UA Expense	
	96,210	1,250	
600			600
<hr/>			
	95,610	650	

Q#78 →

Invoice for Purchase of Supplies Debited to Purchases in Error:

- The CPA located a paid invoice (\$3,500) for the purchase of SUPPLIES
- The CPA traced this invoice to find it was incorrectly debited to PURCHASES
- In order to correct Purchases, we must credit it
- What should be debited?

Purchases		?????	
60,510			
	3,500	3,500	
<hr/>			
57,010			

- We cannot debit Supplies because the ending balance of \$3,950 must stay in agreement with the PHYSICAL inventory of supplies of \$3,950

Supplies	
1-1-17	
purchased during	
<hr/>	
TB	6,250
	2,300
<hr/>	
ATB	3,950

↑

**Certified
Supplies
Inventory
12-31-17**

- Think about how the Supplies account went from a \$6,250 debit balance to a debit of \$3,950.....it was the adjusting entry to Supplies Expense. Therefore, the other half of the correction to Purchases belongs in Supplies Expense.

Purchases		Supplies Expense	
60,510		2,300	
	3,500	3,500	
<hr/>		<hr/>	
57,010		5,800	

Q#79 →

What is the corrected amount of Total Expenses that will be shown on the Income Statement?

Total Expenses Per the Burleson's accountant (the Given ATB)	30,760
Remove Burleson's calculation of UA Expense	<1,250>
Add the CPA's calculation of UA Expense	650
Remove Burleson's calculation of Supplies Expense	<2,300>
Add the CPA's calculation of Supplies Expense	5,800
Audited amount of Total Expenses	33,660

	Corrected Sales		95,610
	BI	18,430	
	Corrected Purchases	57,010	
Q#75	Corrected COMAS	75,440	
	EI	21,490	
Q#76	Corrected COMS		53,950
Q#77	Corrected GP		41,660
	Corrected Total Expenses		33,660
Q#80	Net Income Per CPA Audit		8,000

