

Contestant # _____

UNIVERSITY INTERSCHOLASTIC LEAGUE
ACCOUNTING EXAM
State 2022-S

Do not turn this page until the start signal is given!

All answers MUST be written on your answer sheet. Either upper case or lower-case letters are acceptable.

WRITE LEGIBLY !

Write letters far enough above the line so that (for example) an “E” can be distinguished from an “F”. Graders must be able to read your response before points can be given.

For each multiple-choice question, write only the identifying letter of the correct answer on your answer sheet.

Carefully read the instructions for each group of questions. Pay particular attention to instructions regarding 1) the required format of answers; and 2) rounding.

Acceptable responses (and not case sensitive) for the following are:

DR	=	DR
CR	=	CR

If you choose another response for the examples given above, it will be counted as incorrect. The reason for this strict code is to test your ability to read and follow instructions. It also facilitates in the grading process.

A dollar amount with cents must have two decimal places. A required decimal point must be clearly visible and in the correct position.

If the answer has dollars but zero cents, it is not necessary to write the decimal or the zeroes for cents.

Including commas in an amount where appropriate is encouraged. Marking a comma in the wrong position will cause your answer to be marked wrong. Failure to use commas will not make your answer wrong.

When there are no choices of answers given (not a multiple choice) and the answer is zero, write the number “0” or the word “zero.”

After the start signal is given, you may remove table pages and any work papers from the staple for convenience. Work papers and the test itself are never reviewed by graders.

As a courtesy to graders, please use either upper-case or lower-case letters for your answers on your answer sheet according to the way you write your letters in the Legibility Control section on your answer sheet.

UIL Accounting State 2022-S

Group 1

For questions 1 through 8, indicate the normal balance side of the following accounts using the code: DR=debit CR=credit (Do not write out the words “debit” or “credit.”)

- | | |
|-------------------------|-------------------------------------|
| 1. Retained Earnings | 5. Unearned Fees |
| 2. Interest Receivable | 6. Discount on Notes Payable |
| 3. Dividends—Common | 7. Paid-in Capital in Excess of Par |
| 4. Loss on Plant Assets | 8. Federal Income Tax Payable |

Group 2

One of the items sold at Merle’s Hardware is a claw hammer. The following shows the beginning inventory and purchases information for the year.

During the year, 64 hammers were sold for \$18 each; and 38 hammers were sold for \$21 each. The company uses a periodic inventory system. (If necessary, round computations to the nearest cent.)

		Number of Units	Cost per Unit	Extended Amount
1-1-21	Beginning Inventory	5	6.00	30
Jan	Purchase	10	6.10	61
Feb	Purchase	5	6.20	31
Mar	Purchase	10	6.40	64
Apr	Purchase	20	6.00	120
May	Purchase	20	5.00	100
July	Purchase	15	6.00	90
Aug	Purchase	20	5.00	100
Nov	Purchase	10	6.40	64
Dec	Purchase	10	5.00	50
		125		710

For questions 9 through 11, write the correct amount on your answer sheet.

9. What is the amount of gross profit for the year if the FIFO method of inventory costing is used?
10. What is the amount of gross profit for the year if the LIFO method of inventory costing is used?
11. What is the amount of gross profit for the year if the weighted average cost method of inventory costing is used?

Group 3

Match each situation in items 12 through 16 with the best term in the chart below. Write the identifying letter of the term on your answer sheet. A term may be used more than once.

Terms			
A	Accrued Revenue	C	Deferred Expense
B	Accrued Expense	D	Deferred Revenue

12. an expense is incurred; not yet paid or recorded
13. a revenue not yet earned; collected in advance
14. an expense not yet incurred; paid in advance
15. a revenue is earned; not yet recorded or collected
16. office supplies on hand and paid for; will be used next accounting period

Group 4

Consider the following information about a plant asset:

Original Cost	42,400
Disposal Value	5,500
Date Purchased	September 29, 2018
Estimated Useful Life	5 years
Depreciation Method	Straight-Line
Asset Sold Date	May 1, 2022
Asset Sold for	\$20,000

For questions 17 through 20, write the correct amount on your answer sheet.

17. What is the total amount that is allowed to be depreciated over the estimated life of this asset?
18. What was the amount of depreciation expense recognized in the year 2018?
19. At the end of year 2021, after all adjusting entries have been posted, what is the balance in the accumulated depreciation account for this asset?
20. What is the amount of gain on the sale of this asset?

Group 5

On January 2, 2021 Sterling Inc. was organized and authorized to issue 50,000 shares of \$20 par common stock and 1,000 shares of \$100 par, preferred 5% stock.

The company prepares adjusting and closing entries only at the fiscal year end which is December 31.

The company prepares a Balance Sheet, Income Statement, and Statement of Stockholders' Equity annually.

It is company policy to allow dividends only when there is adequate cash and when there is either 1) adequate Retained Earnings; 2) adequate current year earnings; or 3) both. It is up to the board of directors to make these assessments.

In January 10,000 shares of common stock were issued at par, 6,500 shares of common stock were issued at \$23, and 500 shares of preferred stock were issued at \$100. In June 20,000 shares of common stock were issued at \$25.

The company earned \$122,725 in net income in 2021. On December 15, 2021 the board of directors declared a total cash dividend of \$117,475 for both preferred and common stock for the shareholders of record on December 31, 2021 to be paid by March 15, 2022.

For questions 21 through 25 write the correct amount or number on your answer sheet.

21. How many shares of common stock are unissued as of December 31, 2021?
22. What is the balance of Paid-in Capital in Excess of Par on December 31, 2021 after closing entries?
- *23. Of the total dividends declared, what amount per share will be paid to the common stockholders?
24. After closing entries, how much of the net income is retained by the corporation?
- *25. What amount should be reported on the December 31, 2021 Balance Sheet on the single equity line called Stockholders' Equity?

Group 6

Ruby Co. purchased a coal mine for \$5,000,000 on January 2, 2021. Mining was only possible after Ruby spent \$310,000 to build an access road and \$650,000 to get the land ready for mining. Ruby expects to mine 3,000,000 tons of coal from the mine, but it is projected to take five years to do so. When mining is completed at the end of five years, Ruby estimates it can sell the land for \$500,000 to a waste landfill company. The mine has a current fair market value of \$6,000,000. As of December 31, 2021 Ruby successfully mined 280,450 tons of coal.

For questions 26 through 33, write the correct identifying letter of the best response on your answer sheet.

26. Which of the following is not categorized for accounting purposes as a natural resource?
A. gold mine B. timber forest C. patent D. oil well
27. When a natural resource is purchased, it is recorded in the accounting records at its
A. historical cost only, with no additional related expense
B. historical cost plus any related expenses needed to make the natural resource useable
C. assessed value
D. income taxable value
E. fair market value on the international market less salvage value
28. Natural resource assets
A. are depreciated B. are amortized C. are neither depreciated nor amortized
29. The asset account called Coal Mine will appear on Ruby's Balance Sheet under the heading:
A. Current Assets B. Plant Assets C. Intangible Assets D. Natural Resources
30. What is the depletion rate per ton?
A. \$1.50 B. \$1.60 C. \$1.74 D. \$1.82 E. \$1.99 F. \$2.00
- *31. Ruby's depletion expense amount for 2021 is
A. \$420,675 B. \$448,720 C. \$510,419 D. \$558,096 E. \$560,900
32. The depletion expense entry is correctly recorded with a debit to:
A. Depletion Expense
B. Amortization Expense
C. Depreciation Expense
D. Accumulated Depletion—Coal Mine
33. The depletion expense entry is correctly recorded with a credit to
A. Accumulated Depletion—Coal Mine
B. the asset account called Coal Mine
C. Accumulated Amortization—Coal Mine
D. Accumulated Depreciation—Coal Mine

Group 7

The partially completed comparative Income Statement and the horizontal analysis for Superior Company for the years 2020 and 2021 are shown below. The gross profit percentage was 40% in 2020, and it increased to 42% in 2021. The adjusting entry for Merchandise Inventory for the year ended 12-31-20 included a credit to Income Summary for \$1,120. The net income of 2020 was exactly 21% of that year's sales. (Expenses are combined for simplicity.)

	2020	2021	Increase <Decrease> from 2020 to 2021	
			Dollars	Percentage
Sales				
Beginning Inventory				
Purchases		36,960	<12,160>	
Cost of Mdse. Available for Sale				
Ending Inventory		12,688		
Cost of Merchandise Sold		47,792		
Gross Profit				
Expenses				
Net Income				5% increase

For questions 34 through 37 write the correct amount or percentage on your answer sheet. A percentage must not be stated as a decimal. If rounding is necessary, round the percentage to the nearest whole number; round an amount to the nearest cent.

34. What is the amount of Merchandise Inventory in the general ledger on 01-01-20?
 *35. What is the amount of Sales for the year 2020?
 **36. What is the amount of Expenses for the year 2021?
 *37. What is the percentage of increase in Sales from the year 2020 to 2021?

Group 8

Refer to Table 1 on page 8 for questions 38 through 51. For questions 38 through 43, write the correct amount on your answer sheet.

38. What is the face value of the note?
 39. What is the maturity value of the note?
 40. What is the amount of the bank discount?
 41. What is the amount of the proceeds?
 42. What amount is credited to Notes Payable?
 43. On the issue date what is the book value of Notes Payable?

For questions 44 through 51 continue to use Table 1. Write the identifying letter of the best response on your answer sheet.

44. On the issue date Felix will debit which of the following accounts for the bank discount?
- | | |
|------------------------------|------------------------------|
| A. Discount Expense | E. Forfeit on Notes Payable |
| B. Notes Payable | F. Proceeded Note Payable |
| C. Markdown Expense | G. Interest Expense |
| D. Discount on Notes Payable | H. Markdown on Notes Payable |

Group 8 continued

45. On the issue date Felix will record the bank discount in which account type?
- | | | |
|-----------------|-----------------------------|--------------|
| A. asset | C. contra liability | E. liability |
| B. contra asset | D. cost of merchandise sold | F. expense |
46. In theory, on the issue date, the bank discount is a/an
- | | |
|--------------------|---------------------|
| A. prepaid expense | C. accrued expense |
| B. accrued revenue | D. unearned revenue |
47. When a noninterest-bearing note payable matures in the same fiscal year in which it was issued, the amount of the bank discount in the accounting records of the borrower is
- A. transferred to a contra expense account
- B. recognized as an expense
- C. classified as a negotiable instrument
- D. recognized as income
- E. recalculated at the current market rate
- F. reimbursed by the bank
48. In order to follow generally accepted accounting principles using the accrual basis of accounting, when Felix prepares the adjusting entry on December 31, 2021 regarding this noninterest-bearing note payable, which of the following is correct?
- A. Interest Income will be credited for \$279
- B. Interest Expense will be debited for \$279
- C. Interest Income will be credited for \$837
- D. Interest Expense will be debited for \$837
- E. Interest Income will be credited for \$1,116
- F. Interest Expense will be debited for \$1,116
- *49. Assuming the preceding adjusting entry is recorded correctly, what is the book value of this note on the Balance Sheet dated December 31, 2021?
- | | | |
|-------------|-------------|-------------|
| A. \$53,847 | C. \$54,684 | E. \$55,521 |
| B. \$54,405 | D. \$54,963 | F. \$56,079 |
50. Felix repaid the bank on the maturity date which was:
- | | | |
|----------------------|----------------------|----------------------|
| A. October 17, 2021 | C. December 16, 2021 | E. February 12, 2022 |
| B. November 16, 2021 | D. December 31, 2021 | F. February 14, 2022 |
51. As time passes from August 18, 2021 to the maturity date, the book value of the note payable will:
- A. stay the same
- B. increase
- C. decrease

Group 9

Refer to Table 2 on pages 9 through 12. For questions 52 through 80, write the correct amount on your answer sheet.

On January 1, 2021 what was the balance in each of the following accounts in the general ledger?

- | | |
|------------------------|------------------------|
| 52. Prepaid Insurance | 54. Capital Stock |
| *53. Dividends Payable | *55. Retained Earnings |

On the work sheet for the year ended December 31, 2021, what was the balance of each of the following in the Unadjusted Trial Balance columns?

- | | |
|----------------------------------------------|-----------------------|
| 56. Merchandise Inventory | 60. Supplies |
| *57. Accumulated Depreciation—Equipment | 61. Equipment |
| *58. Accumulated Depreciation—Delivery Truck | 62. Prepaid Insurance |
| *59. Allowance for Uncollectible Accounts | |

On the Balance Sheet dated December 31, 2021, what is the correct amount for each of the following?

- | | |
|-------------------|------------------------|
| *63. Total Assets | *64. Total Liabilities |
|-------------------|------------------------|

On December 31, 2021 after all adjusting entries have been journalized and posted, what is the book value of each of the following:

- 65. Accounts Receivable
- *66. Delivery Truck
- *67. Equipment

On the Income Statement for the twelve months ended December 31, 2021, what is the correct amount of...

- | | |
|-----------------------|---------------------------------------------------------|
| *68. Sales | 72. Depreciation Expense |
| 69. Purchases | 73. Insurance Expense |
| 70. Supplies Expense | 74. Interest Income |
| 71. Bad Debts Expense | *75. Net Income (after Other Revenue and Other Expense) |

On the Post-Closing Trial Balance dated December 31, 2021 what is the correct amount for each of the following?

- | | |
|---------------------------|--------------------------------|
| 76. Merchandise Inventory | 79. Interest Payable—Best Bank |
| 77. Prepaid Insurance | *80. Retained Earnings |
| 78. Dividends Payable | |

This is the end of the exam. Please hold your exam and answer sheet until the contest director calls for them. Thank you!

Table 1
(for questions 38 through 51)

On August 18, 2021 Felix Co. borrowed \$55,800 from Concord Bank by issuing a 180-day, noninterest-bearing note payable that the bank discounted at 4%.

Concord Bank uses 360 days in promissory note calculations instead of 365 days. (Banks refer to this practice as a banker's year of 360 days.)

Round all computations to the nearest cent.

Felix Co. has the following accounting policies and procedures:

- **Uses the accrual basis of accounting**
- **Fiscal year-end December 31**
- **Adjusting entries are prepared only at the end of the fiscal year**
- **Closing entries are prepared only at the end of the fiscal year**
- **Does not use reversing entries**

Table 2
(for questions 52 through 80)

It is company policy to record the purchases of supplies and insurance to their respective asset accounts. The cost of each insurance policy is to be allocated to expense over the respective term of each insurance policy as an adjusting entry.

It is company policy to record adjusting and closing entries and to prepare financial statements only at the end of the fiscal year, which is December 31. All general ledger accounts have normal balances. All prior year adjusting entries were prepared and posted correctly.

The company uses: 1) the accrual basis of accounting; 2) the periodic inventory system; and 3) a 360-day year for promissory note interest calculations. Disregard federal corporation income tax. There is a single depreciation expense account to use for all depreciable plant assets.

Three-Bros Electrical Supply, Inc. is a closely held corporation with 600 shares of capital stock owned equally by three brothers. The business was incorporated in 2016 when each brother invested \$10,000 in the corporation and each received 200 shares of capital stock.

The corporation has the following history:

Fiscal Year End	Net Income or <Net Loss>	Total Dividends Declared
12-31-16	<16,930>	-0-
12-31-17	<3,674>	-0-
12-31-18	46,962	-0-
12-31-19	56,214	20,000
12-31-20	34,980	60,000

When the corporation was formed, the brothers agreed that the dividends declared in one fiscal year must be paid by January 15th in the following fiscal year.

Additional Facts:

1. The Delivery Truck account consists of one truck bought on 1-1-18 at a cost of \$95,000, with a salvage value of \$8,000, and an estimated useful life of 5 years. The double declining-balance method is used for this category of plant assets.
2. The balance of the Equipment account on 1-1-21 in the general ledger was \$47,000. This equipment is still used in the business but is fully depreciated. The salvage value of this equipment is \$8,000.
3. On 8-3-21 Three-Bros purchased new equipment for \$23,240 with a salvage value of \$3,500. The estimated useful life is 7 years. The straight-line method is used for this category of plant assets.

Table 2 continued
(for questions 52 through 80)

4. Shockley Electric is a customer who purchased merchandise on account in October 2021 in the amount of \$18,000. A few days before the due date, Shockley contacted Three-Bros to explain their cash flow issues and requested additional time to pay. On Nov. 13, 2021 Shockley signed an interest-bearing promissory note. The promissory note terms are 5% due in 60 days.
5. On 01-01-21 the account Allowance for Uncollectible Accounts had a credit balance of \$4,165. On December 27, 2021 several customer accounts in the total amount of \$3,850 were written off as totally uncollectible. The company uses the aging of accounts receivable method to estimate its bad debts expense. The aging on 12-31-21 indicates that \$4,275 is estimated to be uncollectible.
6. After the Shockley Electric transaction of Nov. 13 and after all the customer accounts were written off on Dec. 27, the accounts receivable controlling account and the associated subsidiary ledger are in agreement on 12-31-21 with a balance of \$56,290.
7. Below is one of the general ledger accounts of Three-Bros prior to the adjusting and closing entries for the year 2021:

Supplies				
Date		Debit	Credit	Balance
1-1-21				3,120
4-9-21		3,960		7,080
7-20-21		1,910		8,990
11-2-21		2,655		11,645

8. The supplies still on hand on 12-31-21 was \$3,480
9. Three-Bros has a single combined 12-month insurance policy that covers all the business assets. The following premium payments were made by Three-Bros:

Date	Amount Paid
3-1-20	4,500
3-1-21	5,100
10. In the general ledger on 1-1-21, Merchandise Inventory had a balance of \$30,250. One of the adjusting entries on 12-31-21 included a debit to the account called Income Summary in the amount of \$790.

Table 2 continued
(for questions 52 through 80)

11. The owner of Bolt Electric decided to retire and offered to sell to Three-Bros all of Bolt's merchandise inventory. Bolt presented a written report of the physical inventory conducted by a third-party, which indicated the merchandise had an original cost to Bolt of \$28,000 with a current market value of \$22,000. Three-Bros obtained a verbal quote from a moving company which estimates the cost of the move to be about \$1,400. Bolt agreed to consider sharing one-half of the estimated moving cost. Three-Bros made a verbal counter-offer to Bolt of \$19,300 that stipulates a written contract be signed by both parties after the holidays on January 3, 2022 with terms for payment and transfer of possession of the goods to take place on January 5, 2022.
12. In order to be prepared for the Bolt's agreement and considering the approaching holiday, Three-Bros borrowed \$23,400 from Best Bank and signed an interest-bearing promissory note on 12-21-21 with terms of 6% for 180 days. (Best Bank uses a 360-day year for promissory note interest calculations.) The cash from this loan was deposited into the Three-Bros checking account on the date the note was signed. Since the business began, this is the only time Three-Bros borrowed money from any source.
13. The gross profit percentage for the year 2021 is 42% based on net sales. On the Income Statement for the year 2021, the subtotal called Cost of Delivered Merchandise is \$220,726.
14. On December 15, 2021 the three brothers reviewed the preliminary financial information of Three-Bros for the year 2021 and the projected cash flow for the first half of the year 2022. On this date all stockholders agreed to declare dividends for fiscal year 2021 in the amount of \$60 for each share issued to the three stockholders.

Table 2 continued
(for questions 52 through 80)

Three-Bros has the following unadjusted and adjusted trial balances as of December 31, 2021. Many amounts are missing.

	Unadjusted				Adjusted	
	Trial Balance		Adjustments		Trial Balance	
	Debit	Credit	Debit	Credit	Debit	Credit
Cash in Bank	58,115					
Accounts Receivable						
Allowance for Uncol. Accts						
Merchandise Inventory						
Note Receivable—Shockley						
Interest Receivable						
Supplies						
Prepaid Insurance						
Equipment						
Accum Depr—Equip						
Delivery Truck						
Accum Depr—Delivery Truck						
Accounts Payable		11,430				
Sales Tax Payable		2,476				
Note Payable—Best Bank						
Interest Payable—Best Bank						
Dividends Payable						
Capital Stock						
Retained Earnings						
Dividends						
Income Summary						
Sales						
Sales Returns & Allow.	4,960					
Sales Discounts	6,743					
Purchases						
Transportation In	5,766					
Purchases Ret. & Allow.		4,657				
Purchases Discounts		7,943				
Rent Expense	14,400					
Utilities Expense	7,380					
Advertising Expense	3,557					
Bad Debt Expense						
Depreciation Expense						
Supplies Expense						
Insurance Expense						
Interest Income						
Interest Expense						

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Page 12 is the last page of Table 2.

UIL ACCOUNTING—State 2022-S

KEY

Group 1	
1	CR
2	DR
3	DR
4	DR
5	CR
6	DR
7	CR
8	CR

Group 2	
9	\$ 1,369
10	\$ 1,381.20
11	\$ 1,370.64

Group 3	
12	B
13	D
14	C
15	A
16	C

Group 4	
17	\$ 36,900
18	\$ 1,845
19	\$ 23,985
20	\$ 4,045

Group 5	
21	13,500 shares
22	\$ 119,500
*23	\$ 3.15
24	\$ 5,250
*25	\$ 904,750

Group 6	
26	C
27	B
28	C
29	D
30	D
*31	C
32	A
33	B

Group 7	
34	\$ 22,400
*35	\$ 80,000
**36	\$ 16,968
*37	3 %

Group 8	
38	\$ 55,800
39	\$ 55,800
40	\$ 1,116
41	\$ 54,684
42	\$ 55,800
43	\$ 54,684
44	D
45	C
46	A
47	B
48	D
*49	E
50	F
51	B

Group 9	
52	\$ 750
*53	\$ 60,000
54	\$ 30,000
*55	\$ 37,552
56	\$ 30,250
*57	\$ 39,000
*58	\$ 74,480
*59	\$ 315

Group 9 cont.	
60	\$ 11,645
61	\$ 70,240
62	\$ 5,850
*63	\$ 204,417
*64	\$ 73,345
65	\$ 52,015
*66	\$ 12,312
*67	\$ 30,065
*68	\$ 371,903
69	\$ 214,960
70	\$ 8,165
71	\$ 3,960
72	\$ 9,383
73	\$ 5,000
74	\$ 120
*75	\$ 99,520
76	\$ 29,460
77	\$ 850
78	\$ 36,000
79	\$ 39
*80	\$ 101,072

Grader #1 xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
 Grader #2 (last name) _____
 Grader #3 (last name) _____

Contestant # _____

**UIL ACCOUNTING
State 2022-S**

SCORING CHART

Number of **correct** answers out of 80
 (without considering asterisks)..... times 5 = _____

Plus extra credit for asterisk questions answered **correctly**.
 (If the answer is incorrect, draw a line through the block.)

Question Number	Asterisks on Exam	Extra Points If Correct
23	1	
25	1	
31	1	
35	1	
36	2	
37	1	
49	1	
53	1	
55	1	
57	1	
58	1	
59	1	
63	1	
64	1	
66	1	
67	1	
68	1	
75	1	
80	1	

Total Extra Points

TOTAL SCORE.....

For Director's Use:

IR ☐

TR ☐