

Overview

The accurate keeping of financial records is an ongoing activity in all types of businesses. This event provides recognition for FBLA members who have an understanding of and skill in basic accounting principles and procedures.

This is an individual online test.

NOTE: Students who have completed more than one year of accounting instruction are **not** eligible.

Competencies and Task Lists

<http://www.fbla-pbl.org/competitive-event/accounting-i/>

Website Resources

- Bean Counter's Bookkeeping & Accounting Quizzes, Games, and Lectures
www.dwmbeancounter.com/bookkeepingquizzesgames.html
- Investopedia
<http://www.investopedia.com/>
- Principles of Accounting
<http://principlesofaccounting.com/>
- UCD Accounting Glossary
<http://accounting.ucdavis.edu/refs/glossary.cfm?list=alpha&alpha=a>

ACCOUNTING I SAMPLE QUESTIONS

- 1) Closing entries result in the transfer of net income or net loss into the:
- A) income summary account
 - B) cash account
 - C) paid in capital
 - D) owner's capital account

Competency: Journalizing

- 2) Writing an account title in the Account Title column of a journal is not necessary if the journal has:
- A) special amount columns
 - B) a Source Doc. column
 - C) a Cash Debit column
 - D) a Post. Ref. column

Competency: Journalizing

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- 3) When cash is received on account, the balance of the:
- A) sales account increases
 - B) cash account decreases
 - C) accounts receivable account decreases
 - D) sales tax payable account decreases

Competency: Journalizing

- 4) Shaw Industries accepted Cody Reese's credit card in payment of today's purchase of one adding machine. In which journal is the transaction recorded?
- A) General Journal
 - B) Cash Receipts Journal
 - C) Purchases Journal
 - D) Sales Journal

Competency: Journalizing

- 5) Expenses that are paid in advance and recorded initially as assets are:
- A) consumed expenses
 - B) deferrals
 - C) accruals
 - D) incurred but not yet paid

Competency: Journalizing

- 6) Which one of the following accounts is **not** closed at the end of an accounting period?
- A) Drawing
 - B) Utility Expense
 - C) Service Revenue
 - D) Unearned Revenue

Competency: Journalizing

- 7) Which one of the following is **not** an asset account?
- A) Supplies Expense
 - B) Prepaid Insurance
 - C) Equipment
 - D) Cash

Competency: Account Classification

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- 8) Which one of the following is used to record cash received that the business does not own?
- A) Accounts Receivable
 - B) Income Tax Refund Due
 - C) Prepaid Expenses
 - D) Unearned Revenue

Competency: Account Classification

- 9) Which category of accounts is assigned the highest numbers in the chart of accounts?
- A) assets
 - B) expenses
 - C) revenues
 - D) liabilities

Competency: Account Classification

- 10) Sales is classified as:
- A) a revenue account
 - B) a liability account
 - C) an asset account
 - D) an expense account

Competency: Account Classification

- 11) What is the first step in the accounting cycle?
- A) looking at each transaction to determine its effect(s) on the business accounts
 - B) posting the information to the General Ledger
 - C) determining what accounts to debit or credit
 - D) entering the information in the journal to the accounts impacted

Competency: Terminology, Concepts, and Practices

- 12) The beginning of the year balances for Shaw Industries were: Assets \$122,000, Liabilities \$69,000, and Equity \$53,000. If the company purchased equipment costing \$56,000 with \$6,000 cash and incurred a note payable for the balance, what is the balance in the liability section of the Balance Sheet directly after the purchase?
- A) \$106,000
 - B) \$75,000
 - C) \$119,000
 - D) \$115,000

Competency: Terminology, Concepts, and Practices

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- 13) When a company attempts to support its financial recordings and reports with source documents to verify transactions, which accounting principle applies?
- A) Objective Evidence
 - B) Accounting Period Cycle
 - C) Matching of Expenses with Revenue
 - D) Consistent Reporting

Competency: Terminology, Concepts, and Practices

- 14) Using a cash register tape as a source document for weekly cash and credit card sales is an application of the accounting concept:
- A) Matching Expenses with Revenue
 - B) Realization of Revenue
 - C) Business Entity
 - D) Objective Evidence

Competency: Terminology, Concepts, and Practices

- 15) When a business receives revenue, Sales is:
- A) decreased by a credit
 - B) increased by a credit
 - C) increased by a debit
 - D) decreased by a debit

Competency: Income Statement

- 16) Information needed to prepare an income statement's expense section is obtained from a worksheet's Account Title column and:
- A) Income Statement Debit column
 - B) Balance Sheet Credit column
 - C) Income Statement Credit column
 - D) Balance Sheet Debit column

Competency: Income Statement

- 17) An account number in the journal's Post. Ref. column shows:
- A) the account to which an amount is posted
 - B) the account title of the entry
 - C) the date of the entry
 - D) that work on that journal page is completed

Competency: Posting

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- 18) The accounts listed on a post-closing trial balance are:
- A) those that have balances after the closing entries are posted
 - B) all general ledger accounts
 - C) those that have no balances after adjusting and closing entries
 - D) those that appear in the work sheet's Trial Balance columns

Competency: Posting

- 19) Which one of the following is an asset account?
- A) Rent Expense
 - B) Insurance Expense
 - C) Interest Expense
 - D) Prepaid Expense

Competency: Balance Sheet

- 20) Which one of the following statements about the Worksheet is correct?
- A) The worksheet does not use dollar signs in the columns.
 - B) The Balance Sheet numbers in the columns of the worksheet are the numbers as they appear on the formal financial statement itself.
 - C) The Post Closing Trial Balance is necessary in order to complete the statement columns.
 - D) The adjustments columns of the worksheet are completed after the adjustments are journalized.

Competency: Worksheet

- 21) Which one of the following is an example of a debit memorandum that may appear on a bank statement?
- A) bank service charge
 - B) note proceeds collected by the bank
 - C) error found by the bank
 - D) check written by the entity's customer that was not covered by their bank

Competency: Bank Reconciliation

22) The following information is used to prepare the bank reconciliation.

Balance on the bank statement provided by the bank	\$59,456
Balance per the company books	\$62,113
Deposits in Transit	\$3,782
Outstanding Checks	\$1,915
Bank Service Charge	\$23
NSF check #346 received from Ajax Co.	\$768

What is the adjusted balance per the books?

- A) \$ 61,299
- B) \$ 57,588
- C) \$ 60,644
- D) \$ 61,322

Competency: Bank Reconciliation

- 23) The entry to journalize paying a semimonthly payroll less deductions for employee income tax, social security and Medicare tax, and U.S. Savings Bonds is a credit to Cash and the liability accounts and a debit to:

- A) Payroll Taxes Expense
- B) Salary Expense
- C) Unemployment Tax Payable-Federal
- D) Cash

Competency: Payroll

- 24) All employees must report their withholding allowances on a:

- A) Form W-4
- B) memorandum
- C) payroll register
- D) Form W-2

Competency: Payroll

- 25) An organization with the legal rights of a person and that may be owned by many persons is known as a(n):

- A) partnership
- B) proprietorship
- C) corporation
- D) illegal entity

Competency: Types of Ownership

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- 26) The reporting of revenue, cost of merchandise sold, gross profit on operations, operating expenses, and net income or net loss on an income statement is an application of the ____ accounting concept.
- A) Adequate Disclosure
 - B) Going Concern
 - C) Accounting Period Cycle
 - D) Business Entity

Competency: Types of Ownership

- 27) The appropriate depreciation method selected by management should be for Which one of the following reasons?
- A) the method that is required by the government for filing taxes
 - B) the method that best measures the use of an asset as it provides revenue for the entity
 - C) the method that provides the best income tax result for the entity
 - D) the method that is the most convenient to calculate

Competency: Depreciation

- 28) The headings of the spreadsheet used by the company takes three lines. The numeric information begins on the next line (D4). What is the D16 cell input information for a formula to total the numbers in the D column above that line?
- A) $\text{sum}=(d4:d15)$
 - B) $\text{=sum}(D4:D15)$
 - C) $\text{=total}(Dr:D15)$
 - D) $\text{=(D4+D5+D6+D7+D8+D9+D10+D11+D12+D13+D14)}$

Competency: Manual and Computerized Systems

- 29) Which one of the following is an important consideration when using a software package for bookkeeping tasks within a company?
- A) training employees to input the information properly
 - B) checking that the procedures built into the program follow GAAP
 - C) purchasing a program that will generate all required statements
 - D) acquiring a sophisticated package

Competency: Manual and Computerized Systems

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- 30) What is the term for the affected parties in an unethical situation?
- A) invested parties
 - B) stakeholders
 - C) shareholders
 - D) interested parties

Competency: Ethics

OBJECTIVE TEST ANSWER KEYS

Accounting I Answer Key

- | | | |
|-------|-------|-------|
| 1) D | 11) A | 22) D |
| 2) A | 12) C | 23) B |
| 3) C | 13) A | 24) A |
| 4) B | 14) D | 25) C |
| 5) B | 15) B | 26) A |
| 6) D | 16) A | 27) B |
| 7) A | 17) A | 28) B |
| 8) D | 18) A | 29) A |
| 9) B | 19) D | 30) B |
| 10) A | 20) A | |
| | 21) A | |

Accounting II Answer Key

- | | | |
|-------|-------|-------|
| 1) C | 11) A | 22) D |
| 2) A | 12) B | 23) A |
| 3) C | 13) A | 24) C |
| 4) C | 14) D | 25) A |
| 5) A | 15) A | 26) C |
| 6) A | 16) A | 27) A |
| 7) A | 17) D | 28) A |
| 8) C | 18) A | 29) A |
| 9) C | 19) B | 30) C |
| 10) A | 20) A | |
| | 21) B | |

Advertising Answer Key

- | | | |
|-------|-------|-------|
| 1) B | 11) C | 22) D |
| 2) A | 12) D | 23) D |
| 3) C | 13) A | 24) B |
| 4) D | 14) B | 25) C |
| 5) B | 15) C | 26) A |
| 6) B | 16) A | 27) A |
| 7) C | 17) B | 28) D |
| 8) D | 18) D | 29) B |
| 9) A | 19) A | 30) A |
| 10) C | 20) C | |
| | 21) B | |

Accounting I Answer Key

- 1) D
- 2) C
- 3) B
- 4) A
- 5) C
- 6) B
- 7) C
- 8) C
- 9) A
- 10) D

- 11) A
- 12) A
- 13) B
- 14) C
- 15) D
- 16) C
- 17) D
- 18) A
- 19) B
- 20) A

- 21) D
- 22) A
- 23) A
- 24) A
- 25) C
- 26) D
- 27) B
- 28) C
- 29) A
- 30) D

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Competencies

The topics listed below are prioritized, listing first the most important content areas of the tests.

- Basic practices of accounting for the sole proprietorship, partnership, and corporation
- Types of ownership
- Basic accounting cycle
- Terminology
- Account classification
- Journalizing
- Posting
- Income statement
- Balance sheet
- Worksheet
- Bank reconciliation
- Payroll
- Depreciation, repairs, improvements
- Manual and computerized accounting software
- Ethical standards

Procedures/Tips

- Review the Competitive Events Tips in the front of the book.

Web Site Resources

- http://nysscpa.org/prof_library/guide.html
- <http://accounting.ucdavis.edu/refs/glossary.cfm?list=alpha&alpha=a>
- http://www.dmacc.edu/instructors/taprinde/welcome_files/301/solutions/smch03.pdf
- <http://www.quickmba.com/accounting/>

Accounting I Sample Questions

1. Which of the following entries records the receipt of a utility bill from the water company?
 - a. Debit Utilities Expense; credit Accounts Payable
 - b. Debit Accounts Payable; credit Utilities Payable
 - c. Debit Accounts Payable; credit Cash
 - d. Debit Utilities Payable; credit Accounts Receivable

2. Using a perpetual inventory system, the entry to record the purchase of \$30,000 of merchandise on account would include a
 - a. credit to Merchandise Inventory.
 - b. debit to Sales.
 - c. debit to Merchandise Inventory.
 - d. credit to Sales.

3. A trial balance is prepared to:
 - a. prove that there were no errors made in recording transactions into the journal
 - b. summarize the account balances to help prepare financial statements
 - c. prove that no errors were made in posting to the ledger
 - d. prove that each account balance is correct

4. Merchandise inventory at the end of the year was inadvertently overstated. Which of the following statements correctly states the effect of the error on net income, assets, and owner's equity?
 - a. net income is overstated, assets are overstated, owner's equity is overstated
 - b. net income is understated, assets are understated, owner's equity is overstated
 - c. net income is understated, assets are understated, owner's equity is understated
 - d. net income is overstated, assets are overstated, owner's equity is understated

5. Under the perpetual inventory system, all purchases of merchandise are debited to the account entitled
 - a. Cost of Merchandise Sold.
 - b. Cost of Merchandise Available for Sale.
 - c. Merchandise Inventory.
 - d. Purchases.

6. A special journal used to record all transactions involving cash receipts or increases is the
 - a. purchases journal.
 - b. cash receipts journal.
 - c. cash payments journal.
 - d. sales journal.

7. Which account would normally not require an adjusting entry?
 - a. Accumulated Depreciation
 - b. Wages Expense
 - c. Smith, Capital
 - d. Accounts Receivable

8. Equipment with a cost of \$80,000, an estimated residual value of \$5,000, and an estimated life of 15 years was depreciated by the straight-line method for 5 years. Due to obsolescence, it was determined that the useful life should be shortened by 5 years and the residual value changed to zero. The depreciation expense for the current and future years is:
 - a. \$ 5,000
 - b. \$10,000
 - c. \$11,000
 - d. \$ 5,500

9. The Weber Company purchased a mining site for \$500,000 on July 1, 2005. The company expects to mine ore for the next 10 years and anticipates that a total of 100,000 tons will be recovered. The estimated residual value of the property is \$80,000. During 2005 the company extracted 6,000 tons of ore. The depletion expense for 2005 is:
- \$25,200
 - \$42,000
 - \$12,600
 - \$50,000
10. Over a period of time, if total assets increase by \$20,000 and total liabilities increase by \$5,000, then owner's equity will be increased by:
- \$25,000
 - \$20,000
 - \$ 5,000
 - \$15,000
11. Adjusting entries
- affects both income statement and balance sheet accounts.
 - affects only balance sheet accounts.
 - affects only income state accounts.
 - affects only cash flow statement accounts.

A summary of selected ledger accounts appears below for Ted's Auto Services for the 2005 calendar

<i>Ted, Capital</i>	<i>Ted, Drawing</i>	<i>Income Summary</i>
12/31 7,000 1/1 5,000	6/30 2,000 12/31 7,000	12/31 15,000 12/31 32,000
12/31 17,000	11/30 5,000	12/31 17,000

12. Net income for the period is:
- \$17,000
 - \$15,000
 - \$22,000
 - \$ 7,000
13. June receives an annual salary of \$10,000 plus a 5 percent commission on all sales during the year in excess of \$125,000. Her sales for the year total \$235,000. Her total earnings amount to:
- \$26,250
 - \$25,500
 - \$20,000
 - \$31,750
14. The following information is available for the Deeds Travel Agency:
- | | |
|------------------------------|-----------|
| Total revenues | \$125,000 |
| Total expenses. | \$ 60,000 |
| J. T. Deeds, Capital | \$ 80,000 |
| J. T. Deeds, Withdrawals | \$ 15,000 |

After these closing entries are completed, what will be the balance in the J. T. Deeds, Capital account?

- \$ 65,000
- \$ 80,000
- \$130,000
- \$145,000

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15. A company purchased a new truck at a cost of \$42,000 on July 1, 2005. The truck is estimated to have a useful life of 6 years and a salvage value of \$3,000. Using the straight-line method, how much depreciation expenses will be recorded for the truck for the year ended December 31, 2005?
- \$3,500
 - \$7,000
 - \$4,000
 - \$3,250
16. On November 1, Kim Company accepted a 3-month note receivable as payment for services provided to Chu Company. The terms of the note were \$8,000 face value and 6% interest. Kim Company closes its books on December 31 and does not use reversing entries. On February 1, the journal entry to record the collection of the note should include a credit to
- Notes Receivable for \$8,120.
 - Interest Receivable for \$120.
 - Interest Revenue for \$40.
 - Interest Revenue for \$120.
17. A 60-day, 10% note for \$8,000, dated April 15, is received from a customer on account. The face value of the note is
- \$7,200.
 - \$8,800.
 - \$8,600.
 - \$8,000.
18. The entry to journalize paying a semimonthly payroll less deductions for employee income tax, social security and Medicare tax, and U.S. Savings Bonds is a credit to Cash and the liability accounts and a debit to
- salary expense.
 - cash.
 - unemployment tax payable—federal.
 - payroll taxes expense.
19. The state charter allows a corporation to issue only a certain number of shares of each class of stock. This amount of stock is called
- issued stock.
 - authorized stock.
 - treasury stock.
 - outstanding stock.
20. When a charge customer returns an item, the seller prepares a
- credit memorandum.
 - return receipt.
 - sales allowance receipt.
 - debit memorandum.
21. Accounts Payable would appear as a debit in
- the Sales journal.
 - the Purchases journal.
 - the Cash Receipts journal.
 - the Cash Payments journal.
22. The independent auditor's report does which of the following?
- gives the auditor's opinion regarding the fairness of the financial statements
 - summarizes what the auditor did
 - states that the financial statements are truthful
 - describes which financial statements are covered by the audit

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23. Which of the following is **not** an asset account?
- Sales
 - Cash
 - Supplies
 - Office Equipment
24. Which of the following describes the classification and normal balance of J. Schuyler, Drawing?
- Owner's Equity, debit
 - Expense, debit
 - Liability, credit
 - Asset, debit
25. If a parcel of land is offered for sale at \$150,000, is assessed for tax purposes at \$95,000, is recognized by its purchasers as easily being worth \$140,000, and is purchased for \$137,000, the land should be recorded in the purchaser's books at
- \$138,500.
 - \$150,000.
 - \$ 95,000.
 - \$137,000.
26. Sales less sales discounts less sales returns and allowances equals
- net purchases.
 - cost of goods sold.
 - net income.
 - net sales.
27. The financial statement that reports whether the business earned a profit and also lists the types and amounts of the revenues and expenses is called
- a statement of cash flows.
 - an income statement.
 - a balance sheet.
 - a statement of owner's equity.
28. Welch Company's bank statement shows that a note receivable of \$10,000 and interest of \$800 were collected by the bank on behalf of the depositor. The entry required on the company's books is:
- debit Cash, debit Interest Expense, credit Notes Receivable
 - debit Cash, credit Notes Receivable
 - debit Cash, credit Interest Income, credit Notes Receivable
 - debit Cash, debit Interest Income, credit Notes Receivable
29. A check issued to a creditor in the amount of \$53 was recorded in the journal as \$530. In the bank reconciliation, the correction would be recorded as
- an addition to the ledger balance of cash.
 - a deduction from the bank statement balance.
 - an addition to the bank statement balance.
 - a deduction from the ledger balance of cash.
30. Two bank statement amounts that require journal entries are
- deposit in transit and bank service charges.
 - outstanding checks and an error in recording a check.
 - collection of a note receivable and deposit in transit.
 - bank service charges and an NSF (not sufficient fund) check.

Accounting I Answer Key

1) C	11) D	21) B
2) C	12) D	22) B
3) C	13) C	23) A
4) C	14) C	24) D
5) D	15) D	25) A
6) B	16) A	26) B
7) D	17) D	27) B
8) A	18) D	28) B
9) C	19) C	29) D
10) A	20) D	30) C

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Competencies and Task Lists

<http://www.fbla-pbl.org/docs/ct/FBLA/ACCOUNTING1.pdf>

Web Site Resources

- Accounting Companion (Financial Accounting)
<http://myphlip.pearsoncmg.com/cw/mplistres5.cfm?vbookid=97>
- Accounting Handouts for Introductory Accounting
<http://www.bboinc.com/actghome/teacher.htm>
- ANET-Accounting Education Resources
<http://accountingeducation.com/>
- Bean Counter's Bookkeeping & Accounting Quizzes, Games, and Lectures
<http://www.dwmbeancounter.com/BCTutorSite/Quizzes/BCOnlineQuiz.html>
- Beginning the Accounting Cycle:
http://www.dmac.edu/instructors/taprintle/welcome_files/301/solutions/smch03.pdf
- Careers in Accounting
<http://www.careers-in-accounting.com/>
- UCD Accounting Glossary
<http://accounting.ucdavis.edu/refs/glossary.cfm?list=alpha&alpha=a>

ACCOUNTING I SAMPLE QUESTIONS

1. A working paper used to summarize the general ledger information needed to prepare financial statements is called a:
 - a. ledger account form
 - b. source document
 - c. worksheet
 - d. journal
2. Information for the worksheet is gathered from the:
 - a. balance sheet
 - b. income statement
 - c. general ledger accounts
 - d. journal
3. Roscoe's employer pays time-and-a-half for all hours worked in excess of 8 hours per day and double time for all hours worked on Sundays. Roscoe's regular hourly rate is \$9 per hour. During the week, Roscoe worked the following hours: Monday, 8; Tuesday, 8; Wednesday, 9; Thursday, 10; Friday, 8; Sunday, 6. Total gross wages are:
 - a. \$481.50
 - b. \$522.00
 - c. \$508.50
 - d. \$441.00

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4. Conforming or adapting one's actions to another's wishes, to a rule, or to necessity is known as:
 - a. code provision
 - b. code of ethics
 - c. compliance
 - d. credo

 5. Where does the authority for the functions and responsibilities of information management originate?
 - a. public law only
 - b. United States code only
 - c. public law and federal statutes
 - d. United States code and public law

 6. When a journal entry is posted to the general ledger, the date recorded in the general ledger account is:
 - a. the current date
 - b. the date of the journal entry
 - c. the date of the transaction
 - d. the date on which the posting is completed

 7. Describe the effect of the following journal entry on working capital: debit Accumulated Depreciation, Equipment, \$1,000; credit Equipment, \$1,000.
 - a. working capital is not affected
 - b. working capital increases
 - c. working capital decreases
 - d. net income decreases

 8. To check the equality of the ledger accounts after posting has been completed:
 - a. a trial balance is prepared
 - b. the journal is proved
 - c. an income statement is prepared
 - d. a balance sheet is prepared

 9. Which type of an account is Income Summary?
 - a. liability
 - b. revenue
 - c. equity
 - d. asset

 10. Vertical analysis can result from comparing each item on:
 - a. a balance sheet with the amount of total assets on the balance sheet
 - b. an income statement with the amount of assets on the balance sheet
 - c. balance sheets from two different periods with each other
 - d. balance sheets from two different companies for two different periods with each other

 11. A business owned by two or more persons is a:
 - a. charter corporation
 - b. sole proprietorship
 - c. corporation
 - d. partnership

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12. Merchandise with an invoice price of \$4,000 is purchased on June 2 subject to terms of 2/10, n/30, FOB destination. Transportation costs paid by the seller totaled \$150. What is the cost of the merchandise if paid on June 12, assuming the discount is taken?
- \$4,150
 - \$4,067
 - \$4,070
 - \$3,920
13. When must each employer furnish each employee with an annual statement of earnings and withholdings?
- by January 15 of the following year
 - with their next paycheck
 - by January 31 of the following year
 - by December 31 of the current year
14. A business has the following expense accounts: 510, Advertising Expense; 520, Miscellaneous Expense; 530, Repair Expense. A new account titled Utilities Expense is added. The account number for this new account is:
- 525
 - 550
 - 540
 - 515
15. A lost check with a blank endorsement can be cashed by:
- no one
 - only the person who endorsed the check
 - only the person whose name follows the words "Pay to the order of."
 - anyone who has the check
16. Which one of the following is a disadvantage of the corporate form of business ownership?
- double taxation
 - difficulty in transferring ownership
 - mutual agency
 - limited liability
17. Items reported on a corporation income statement that are **not** reported on a partnership income statement include:
- other revenue, other expense, and federal income tax
 - federal income tax payable and cash over and short
 - net sales, net purchases, and federal income tax
 - federal income tax
18. The financial statement that presents a summary of revenues and expenses of a business for a specific period of time, such as a month or year, is called a(n):
- balance sheet
 - prior period statement
 - statement of owner's equity
 - income statement
19. All the following are financial statements of a sole proprietorship **except**:
- income statement
 - statement of cash flows
 - statement of owner's equity
 - balance sheet

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20. The receipt of cash on account from a customer should be recorded as a debit to Cash and a credit to:
- Accounts Payable
 - Fees Income
 - Owner's Capital
 - Accounts Receivable
21. The asset a business enterprise creates when it maintains accounts for its charge customers is:
- Accounts Payable
 - Accounts Receivable
 - Equipment Receivable
 - Cash
22. Technology:
- has replaced accounting
 - has closely linked accounting with consulting, planning, and other financial services
 - has not changed the work that accountants do
 - in accounting has replaced the need for decision makers
23. Social responsibility:
- is a concern for the impact of our actions on society as a whole
 - is required by the SEC
 - requires that all businesses conduct social audits
 - is a code that helps in dealing with confidential information
24. What is depreciation?
- a decrease in the fair market value of an asset
 - added to the cost of equipment on the balance sheet
 - a method of saving cash to replace plant assets
 - an expense that is incurred during an accounting period
25. The owner's Capital account is found in the:
- trial balance credit column, adjusted trial balance credit column, and balance sheet credit column of a worksheet
 - balance sheet debit column only of a work sheet
 - trial balance credit column and income statement debit column of a worksheet
 - trial balance credit column, adjustments credit column, adjusted trial balance credit column, and balance sheet credit column of a worksheet
26. All of the following are items that cause a difference between the bank balance and the book balance **except**:
- deposits in transit
 - cancelled checks
 - NSF checks
 - bank service charges
27. In a bank reconciliation, a \$400 NSF check is:
- added to the checkbook balance
 - deducted from the checkbook balance
 - deducted from the bank balance
 - added to the bank balance

-
28. Which one of the following assets is **not** depreciated?
- a. computers
 - b. land
 - c. buildings
 - d. store fixtures
29. On a classified balance sheet, Prepaid Insurance is classified as:
- a. property and equipment
 - b. an equity account
 - c. a current liability
 - d. a current asset
30. All of the following represent advantages of corporations over other forms of business ownership **except**:
- a. ease of transferring ownership
 - b. continuity of existence
 - c. unlimited stockholders' liability
 - d. separate legal entity

Accounting I Answer Key

1)	C	11)	B	21)	D
2)	C	12)	D	22)	B
3)	A	13)	A	23)	B
4)	B	14)	D	24)	D
5)	B	15)	A	25)	D
6)	A	16)	A	26)	C
7)	D	17)	A	27)	C
8)	A	18)	C	28)	B
9)	C	19)	D	29)	C
10)	D	20)	C	30)	D

Overview

The accurate keeping of financial records is an ongoing activity in all types of businesses. This event provides recognition for FBLA members who have an understanding of and skill in basic accounting principles and procedures. Students who have completed more than one year of accounting instruction are **not** eligible.

This is an individual online test.

Competencies and Task Lists

<http://www.fbla-pbl.org/docs/ct/FBLA/ACCOUNTING1.pdf>

Website Resources

- Accounting Handouts for Introductory Accounting
<http://www.bboinc.com/actghome/teacher.htm>
- Bean Counter's Bookkeeping & Accounting Quizzes, Games, and Lectures
<http://www.dwmbbeancounter.com/BCTutorSite/Quizzes/BCOnlineQuiz.html>
- Beginning the Accounting Cycle:
http://www.dmac.edu/instructors/taprinde/welcome_files/301/solutions/smch03.pdf
- Careers in Accounting
<http://www.careers-in-accounting.com/>
- Investopedia
<http://www.investopedia.com/>
- Principles of Accounting
<http://principlesofaccounting.com/>
- UCD Accounting Glossary
<http://accounting.ucdavis.edu/refs/glossary.cfm?list=alpha&alpha=a>

ACCOUNTING I SAMPLE QUESTIONS

1. Each entry in the purchases journal is:
 - a. posted at the end of each week
 - b. posted daily
 - c. posted often
 - d. posted at the end of a month

Competency: Journalizing

2. The journal entry for a cash receipt on account is:
 - a. debit Cash; credit Accounts Payable
 - b. debit Accounts Payable; credit Accounts Receivable
 - c. debit Cash; credit Accounts Receivable
 - d. debit Accounts Payable; credit Cash

Competency: Journalizing

-
3. A special journal used to record only sales on account is the:
- sales journal
 - purchases journal
 - cash receipts journal
 - cash journal

Competency: Journalizing

4. Which one of the following is **not** a closing entry for a corporation?
- closing entry for income statement accounts
 - closing entry for adjustments
 - closing entry for the dividends account
 - closing entry to record net income or net loss in the retained earnings account

Competency: Journalizing

5. The first digit in the account number 120 means that the account is in the ____ division of the general ledger.
- expense
 - asset
 - liability
 - revenue

Competency: Account Classification

6. A liability account that summarizes the amounts owed to all vendors is titled:
- Accounts Payable
 - Accounts Receivable
 - Purchases
 - Sales

Competency: Account Classification

7. Interest expense of a business is:
- a normal operations expense
 - a contra revenue account
 - an additional cost of merchandise
 - a financial expense

Competency: Account Classification

8. A schedule of accounts receivable is prepared:
- after all current entries are posted
 - at the beginning of the month
 - before all current entries are posted
 - before the special column totals are posted

Competency: Terminology, Concepts, and Practices

-
9. Recording revenue from business activities and expenses associated with earning that revenue in the same accounting period is an application of the accounting concept:
- Going Concern
 - Accounting Period Cycle
 - Matching Expenses with Revenue
 - Consistent Reporting

Competency: Terminology, Concepts, and Practices

10. A form prepared showing the price deduction taken by the customer for returns and allowances is a:
- memorandum
 - purchases allowance
 - purchase invoice
 - debit memorandum

Competency: Terminology, Concepts, and Practices

11. Total sales less sales discount and sales returns and allowances is called:
- net income
 - net sales
 - net profit
 - net loss

Competency: Income Statement

12. An income statement reports a business's financial:
- condition on a specific date
 - progress on a specific date
 - condition over a specific period of time
 - progress over a specific period of time

Competency: Income Statement

13. If an analyzed item in an income statement remains the same, an increase in net sales will:
- decrease the component percentage
 - have no effect on the component percentage
 - increase the component percentage
 - cannot determine this without examining the income statement

Competency: Income Statement

14. A balance sheet reports all of the following **except**:
- a business owner's equity
 - a business's liabilities
 - a business's assets
 - a business's net income at the end of a fiscal year

Competency: Balance Sheet

15. The extent to which current assets exceed current liabilities by:

- a. current ratio
- b. acid test ratio
- c. liquidity ratio
- d. working capital ratio

Competency: Balance Sheet

16. How many hours were worked by an employee who arrived at 8:29 a.m. and departed at 12:02 p.m.?

- a. 3 hours and 33 minutes
- b. 3 hours and 30 minutes
- c. 3 hours
- d. 3 hours and 15 minutes

Competency: Worksheet

17. Changes recorded on a worksheet to update general ledger accounts at the end of a fiscal period are:

- a. adjustments
- b. revenues
- c. financial statements
- d. retained earnings

Competency: Worksheet

18. A net loss is entered in the worksheet's:

- a. Income Statement Debit and Balance Sheet Credit columns
- b. Income Statement Debit and Trial Balance Credit columns
- c. Income Statement Credit and Balance Sheet Debit columns
- d. Balance Sheet Debit and Trial Balance Credit columns

Competency: Worksheet

19. An endorsement on the back of a check consisting only of a signature is:

- a. an incorrect endorsement
- b. a special endorsement
- c. a restrictive endorsement
- d. a blank endorsement

Competency: Bank Reconciliation

20. A petty cash fund is replenished:

- a. daily
- b. quarterly
- c. monthly
- d. yearly

Competency: Bank Reconciliation

-
21. Employers must pay payroll taxes for:
- federal income, federal unemployment, and state unemployment taxes
 - social security, Medicare, and sales taxes
 - federal income, social security, and Medicare taxes
 - social security, Medicare, federal unemployment, and state unemployment taxes

Competency: Payroll

22. When a semimonthly payroll is paid, the credit to Cash is equal to the:
- total deductions for income tax and social security and Medicare tax
 - net pay of all employees
 - total earnings of all employees
 - total deductions

Competency: Payroll

23. The Accumulated Earnings column of the employee earnings record:
- shows net pay for one quarter
 - is the total earnings since the first of the year
 - shows net pay for the year
 - is the gross earnings for one quarter

Competency: Payroll

24. An organization with legal rights of a person and which may be owned by many persons:
- partnership
 - sole proprietorship
 - proprietorship
 - corporation

Competency: Types of Ownership

25. A financial statement that summarizes the changes in a corporation's ownership for a fiscal period is:
- a balance sheet
 - a distribution of net income statement
 - an income statement
 - a statement of stockholders' equity

Competency: Types of Ownership

26. When a plant asset is sold for more than the asset's book value:
- cash received plus accumulated depreciation equals original cost plus loss on disposal
 - cash received plus accumulated depreciation plus loss on disposal equals original cost
 - cash received plus accumulated depreciation equals original cost plus gain on disposal
 - cash received plus accumulated depreciation plus gain on disposal equals original cost plus gain on disposal

Competency: Depreciation

-
27. The purpose of recording depreciation is to:
- a. earn revenue
 - b. earn money to replace the asset
 - c. record an expense in the periods in which the asset is used to earn revenue
 - d. recover the cash spent on plant assets

Competency: Depreciation

28. The total depreciation expense for a fax machine purchased for \$700.00 with an estimated salvage value of \$100.00 is:
- a. \$100.00
 - b. \$600.00
 - c. \$800.00
 - d. \$700.00

Competency: Depreciation

29. Ethics are:
- a. normal behavior
 - b. rules for top management
 - c. standards of moral conduct
 - d. laws that can be enforced

Competency: Ethics

30. An example of ethical behavior is:
- a. accepting secret business gifts
 - b. invading employee privacy
 - c. using company resources for personal use
 - d. keeping company information confidential

Competency: Ethics

Accounting 1

	ANSWER		ANSWER		ANSWER		ANSWER
1.	A	11.	C	21.	C	31.	T
2.	C	12.	C	22.	C	32.	T
3.	D	13.	D	23.	D	33.	F
4.	C	14.	A	24.	A	34.	T
5.	C	15.	E	25.	A	35.	F
6.	D	16.	B	26.	A	36.	T
7.	C	17.	B	27.	B	37.	F
8.	A	18.	D	28.	D	38.	F
9.	C	19.	B	29.	B	39.	T
10.	B	20.	A	30.	A	40.	T

The accurate keeping of financial records is an ongoing activity in all types of businesses. This event provides recognition for FBLA members who have an understanding of and skill in basic accounting principles and procedures. Students must not have completed more than one year of accounting instruction.

Competencies

Test will focus on basic practices of accounting for the sole proprietorship, the partnership, and the corporation and will include questions on the topics listed below. The topics listed below are prioritized, listing first the most important content areas of the tests; grouped topics are equal.

- Terminology
- Journalizing, posting
- Account classification, balance sheet, income statement, worksheet
- Bank reconciliation, payroll

Procedures/Tips

1. Review the guidelines for this event found in the Competitive Events section of the current edition of the *Chapter Management Handbook*. You should have a copy of the guidelines and review them carefully.
2. Study from both South Western and Glencoe/McGraw Hill textbooks and review vocabulary lists in each book's glossary. FBLA tests are written from different sources. Do not rely solely on school texts for study. Check out library texts to gain a broader range of familiarity. Take as many practice tests as possible.
3. Dress according to the established dress code. If dress code is not followed, participant will be disqualified.
4. Check the location of your test well before the time of competition. Plan to arrive 15 minutes before the scheduled time for the test. Remember the elevators can be slow and hallways crowded.
5. Bring several sharpened No. 2 pencils with erasers. A calculator will be provided.
6. Check the event signs to be certain you are in the correct room or section of the room. More than one event may be tested in one room at the same time.
7. Listen carefully to instructions given by the event administrator. One hour is allowed for the actual test. Carefully read the instructions on the cover page of the test. Pace yourself during the testing to allow time to work quickly but accurately. Try to answer all the questions.
8. Make certain your answers are clearly marked and all stray marks are erased.
9. Turn in your test as soon as you are finished. A tiebreaker is resolved by evaluating the students' performance on the final ten questions of the exam and then by the time.
10. Take pride in your accomplishments and share the excitement of the awards program.

ACCOUNTING 1 SAMPLE TEST QUESTIONS

Multiple Choice

- Things of value consumed in business or used to generate income are known as
 - assets.
 - capital.
 - expenses.
 - revenue.
- The income summary account is considered unique because
 - it is used only in the closing process.
 - it will always have a credit balance.
 - it does not have a normal balance.
 - increases and decreases occur on the side opposite the normal balance.
- Writing off an account
 - increases the balance of cash.
 - increases the balance of Allowance for Uncollectible Accounts.
 - decreases the balance of Uncollectible Accounts Expense.
 - decreases the balance of Accounts Receivable.
- Which accounting concept applies when expenses are reported in the same fiscal period that they are used to produce revenue?
 - Business Entity
 - Going Concern
 - Matching Expenses with Revenue
 - Adequate Disclosure
- Accrued revenue, accrued expenses, depreciation, prepaid expenses, and unearned revenue are all examples of
 - balance sheet accounts.
 - income statement accounts.
 - accounts that require adjusting entries.
 - accounts that have a corresponding contra account.
- Using fractions based on the number of years of a plant asset's useful life is called
 - declining balance method.
 - depletion method.
 - straight-line method.
 - sum-of-the-years' digits method.
- A petty cash on hand amount that is more than a recorded amount is called
 - cash credit.
 - cash debit.
 - cash over.
 - cash short.
- The closing entry for the gain on plant assets account is
 - Debit Gain on Plant Assets, credit Income Summary.
 - Debit Income Summary, credit Gain on Plant Assets.
 - Debit Gain on Plant Assets, credit Revenue.
 - Debit Cash, credit Gain on Plant Assets.
- The reversing entry for the accrued interest expense is
 - Debit Interest Expense, credit Interest Payable.
 - Debit Interest Expense, credit Income Summary.
 - Debit Interest Payable, credit Interest Expense.
 - Debit Interest Payable, credit Interest Income.
- Recorded annual store equipment depreciation is
 - Debit Depreciation Expense—Store Equipment, credit Cash.
 - Debit Depreciation Expense—Store Equipment, credit Accumulated Depreciation—Store Equipment.
 - Debit Accumulated Depreciation—Store Equipment, credit Depreciation Expense—Store Equipment.
 - Debit Accumulated Depreciation—Store Equipment, credit Cash.
- Given terms of sale 2/10, n/30 for an invoice dated March 2, a customer will pay what amount on March 7? The invoice total is \$100.
 - \$ 70
 - \$ 90
 - \$ 98
 - \$100

Use the following choices for questions 12-16.
Place the steps in the posting process in the correct order.

- a. debit or credit amount
 - b. general ledger account number in post reference column of journal
 - c. date
 - d. journal page number in post reference column of general ledger
 - e. update account balance
12. Step 1
13. Step 2
14. Step 3
15. Step 4
16. Step 5
17. The ____ account represents the increase in stockholders' equity from net income that is held by the corporation and not distributed to stockholders as a return on their investment.
- a. operating income
 - b. retained earnings
 - c. working capital
 - d. net sales
18. ____ is the taxable income of a corporation, the amount of income earned before federal corporate income taxes.
- a. Capital stock
 - b. Retained earnings
 - c. Gross profit on sales
 - d. Operating income
19. ____ is the account used to record any investments by stockholders.
- a. Horizontal analysis
 - b. Capital stock
 - c. Retained earnings
 - d. Operating income

Use the following information to answer questions 20-21.

Inventory information for Acme Company is shown below:

	Units	Unit Price
Beginning Inventory	20	\$20.00
Purchases during the year	40	\$30.00
Ending Inventory	30	

20. Under the FIFO method, ending inventory is
- a. \$900.
 - b. \$750.
 - c. \$700.
 - d. \$650.
21. Under the LIFO method, ending inventory is
- a. \$900.
 - b. \$750.
 - c. \$700.
 - d. \$650.
22. Revenue and expense accounts are listed in the Trial Balance section of the work sheet and in the ____ of the work sheet.
- a. Retained Earnings statement
 - b. Balance Sheet section
 - c. Income Statement section
 - d. Accounts Payable section
23. The amount of net income for the period is added to the Balance Sheet credit total because it increases the balance in the ____ account.
- a. accounts receivable
 - b. accounts payable
 - c. asset
 - d. capital
24. A value assigned to a share of stock and printed on the stock certificate is
- a. par value.
 - b. current ratio.
 - c. ratio.
 - d. sales.
25. The amount of total current assets less total current liabilities are
- a. working capital.
 - b. net purchases.
 - c. net sales.
 - d. owner's equity.
26. A ratio that shows the numeric relationship of current assets to current liabilities is known as the
- a. current ratio.
 - b. par value.
 - c. ratio.
 - d. assets.

27. Financial statements are prepared in the following order:
 - a. income statement, balance sheet, owners' equity.
 - b. income statement, statement of owners' equity, balance sheet.
 - c. statement of owners' equity, balance sheet, income statement.
 - d. balance sheet, income statement, statement of owners' equity.

28. When a semimonthly payroll is paid, the credit to Cash is equal to the
 - a. total earnings of all employees.
 - b. total deductions for income tax and social security tax.
 - c. total deductions.
 - d. net pay for all employees.

29. An account in a general ledger that summarizes all accounts in a subsidiary ledger is
 - a. an expense account.
 - b. a controlling account.
 - c. a capital account.
 - d. None of the above

30. The journal entry for a cash receipt on account is
 - a. debit Cash; credit Accounts Receivable.
 - b. debit Cash; credit Accounts Payable.
 - c. debit Accounts Payable; credit Cash.
 - d. debit Accounts Payable; credit Accounts Receivable.

36. An error in posting requires a new journal entry to correct the mistake.
37. Temporary accounts include the following: Revenue, Expense, Liabilities, and drawing accounts.
38. Reporting sales in dollars for one period and then in units for the next period is an application of the Unit of Measurement accounting concept.
39. Generally accepted accounting procedures require that revenue and expenses be recorded in the period in which the revenue is earned or the expenses are incurred.
40. Real property includes land and the buildings attached to it.

True/False

31. Interest expense on notes payable is part of the Other Expenses category on the income statement.
32. Adjustments to general ledger accounts at the end of a fiscal period are an application of the Matching Expenses with Revenue accounting concept.
33. Information required to journalize closing entries is found in the Adjustments columns of the worksheet.
34. Payroll taxes withheld represent a liability for an employer until payment is made.
35. The amount of Social Security tax to be withheld is determined by the amount of income, marital status, and number of withholding allowances for the taxpayer.