

**BOOKKEEPING II**

Thursday, January 24, 1935 — 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 minimum time requirement is five recitations a week for two school years.

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

**Group I**

Answer questions 1 and 2.

1 On December 17, 1934, the pencil footings of the columns in Hardy & Cole's general journal and cashbook were: General journal, debit side — Notes Receivable \$1250, Accounts Payable \$963.80, General Ledger \$807.15; credit side — General Ledger \$742.60, Accounts Receivable \$1528.35, Notes Payable \$750; Cashbook, receipts side — General Ledger \$692, Accounts Receivable \$4317.28, Sales Discount \$69.81, Net Cash \$4939.47; payments side — General Ledger \$2283.45, Accounts Payable \$3005.60, Purchases Discount \$76.12, Net Cash \$5212.93.

As bookkeeper for the firm, bring these column totals forward in the general journal and the cashbook. Make, with sufficient explanations, entries for the following selected transactions, checking all items that should not be posted separately:

December 17 Drew a check for \$12.40 to the order of the Middle States Railroad Company for freight charges on merchandise purchased F.O.B. Wilmington, Delaware.

December 18 Received from L. Carroll, to apply on his account, a 60-day trade acceptance for \$320, which we drew on him December 13.

December 18 Mailed a check to Winter & Lunt in payment of invoice of November 19 for \$511, less 2%.

December 19 Received notice from the bank that our account was credited with the collection of P. Ditson's 60-day note for \$225, bearing interest at 4%.

December 20 Mailed a check to H. Strayer & Son in payment of invoice of December 10 for \$348.

December 20 G. Fuller installed showcases in our salesroom and took in payment our 30-day note for \$250, with interest at 6%.

December 21 Received F. M. Eggleston's check in payment of invoice of November 21 for \$96.75, less 1%.

December 21 Discounted at the bank our 60-day note for \$600, dated today, and received credit for the net proceeds.

December 22 Received a credit memorandum for \$24.80 from the Homespun Textile Company for defective cloth returned to them December 15.

December 24 Gave a check for \$58.50 to C. Fowler, our insurance broker, in payment of premium on fire policy No. 36,407, issued by the Independent Insurance Company.

BOOKKEEPING II — *continued*

- December 24 Received a check for \$6.96 from H. Strayer & Son, representing a cash discount of 2% that we failed to deduct from the invoice in our remittance of December 20.
- December 26 R. Hepburn gave us a check in payment of the following invoices: November 26, \$194; December 18, \$210. Terms on all bills were  $\frac{2}{10}$   $\frac{n}{30}$ . Mr Hepburn deducted the discount on the December invoice.
- December 27 Martin Hardy, a member of the firm, took for personal use merchandise inventoried at \$35.
- December 27 Received notice from the bank that our account was charged with \$425 for payment of trade acceptance given to Gilman & King October 27.
- December 28 Received \$15.20, collected on a C.O.D. postal shipment of merchandise to J. Tanner on December 24.
- December 28 Met our 90-day note at the bank for \$500, with interest at 6%, in favor of Munsey Bros.
- December 29 N. Graham, a customer, owed us \$120. He was discharged in bankruptcy by settling with his creditors for 25 cents on the dollar. We accepted his check on this basis and closed his account.
- December 31 Issued a check to replenish the petty cash fund for the following petty cash disbursements made during the month: office expense \$7.30, shipping and delivery expense \$9.65, sales expense \$6.40.

Assume that the cash on hand, as short-extended in the cashbook at the beginning of the month, was \$2564.30. Close the cashbook and bring down the new balance. Foot and rule the general journal. Indicate clearly how totals are to be posted, but do not post. [50]

BOOKKEEPING II — *continued*

2 On December 31, 1934, Paul Lombard's bookkeeper drew up the periodic statements, using the facts in the trial balance of the general ledger and the following additional information:

Merchandise inventory, December 31, 1934 .....	\$30,400
Shipping supplies on hand .....	150
Interest payable .....	40
Reserve 10% for depreciation of furniture and fixtures that cost \$2400.	

From the following statement of profit and loss and the above information, prepare the journal entries to adjust and close Paul Lombard's general ledger: [Explanations may be omitted.] [25]

PAUL LOMBARD  
Statement of Profit and Loss  
For the Year ended December 31, 1934

Merchandise Sales .....	\$135,840	
Less Sales Returns .....	810	
Net Sales .....		\$135,030
<i>Cost of Goods Sold</i>		
Merchandise Inventory, January 1, 1934 .....		\$ 39,200
Purchases .....	\$87,985	
Freight Inward .....	1,285	
Total Cost of Purchases .....		89,270
Total Cost of Merchandise for Sale .....		\$128,470
Less Merchandise Inventory, December 31, 1934 .....		30,400
Cost of Merchandise Sold .....		98,070
Gross Profit on Sales .....		\$ 36,960
<i>Operating Expense</i>		
<i>Selling Expense</i>		
Shipping Supplies .....	\$ 1,620	
Sales and Shipping Salaries .....	10,800	
Total Selling Expense .....		\$ 12,420
<i>General and Administrative Expense</i>		
Rent, Light and Heat .....	\$ 5,930	
General and Office Supplies .....	1,220	
Office Salaries .....	5,720	
Depreciation of Furniture and Fixtures .....	240	
Total General and Administrative Expense .....		13,110
<i>Financial Expense</i>		
Sales Discount .....	\$ 1,175	
Interest Cost .....	305	
Total Financial Expense .....		1,480
Total Operating Expense .....		\$ 27,010
<i>Financial Income</i>		
Purchases Discount .....	\$ 930	
Interest Income .....	180	
Total Financial Income .....		1,110
Net Operating Expense .....		25,900
NET PROFIT FOR THE YEAR .....		\$ 11,060

264

Group II

Answer one question from this group.

3 On January 2, 1935, the bookkeeper of J. T. Murray & Co. received the December bank statement and prepared the following reconciliation statement:

J. T. MURRAY & CO.  
Bank Reconciliation Statement  
as of December 31, 1934

Check-book balance, Dec. 31.....	\$1523.75	Bank balance, Dec. 31 — per statement.....	\$1776.25
Add		Deduct	
Error in deposit of Dec. 15.....	1.00	Outstanding checks:	
		No. 285... \$160.00	
	\$1524.75	298... 94.15	254.15
Deduct		290... \$150.00 (certified check)	
Federal tax on checks.....	\$1.40		
Bank charges for collections.....	1.25		
	2.65		
Adjusted check-book balance .....	\$1522.10	True bank balance .....	\$1522.10

Answer each of the following questions: [15]

- Why is the balance as reported on the bank statement greater than the check-book balance on December 31?
- How did the bookkeeper determine what checks were outstanding?
- Why is check No. 290 for \$150 listed but not deducted from the bank balance as were the other two outstanding checks?
- State a reason for having check No. 290 certified.
- What information concerning the bank account did not appear in the check book when it was balanced on December 31?

4 B. Carlson and D. Lewis are two merchants, each conducting a cutlery shop in your community. They decide to form a copartnership, for the purpose of operating the two stores under the firm name of the Carlson-Lewis Cutlery Shops. The new firm is to take over each partner's assets and to assume each partner's liabilities. It is further agreed to admit R. Horner, who is to invest a cash sum sufficient to give him a one-third interest in the business. The balance sheets submitted by Carlson and Lewis are as follows:

B. CARLSON  
Balance Sheet, January 24, 1935

Assets		Liabilities	
Cash .....	\$ 640	Accounts Payable .....	\$ 1,785
Merchandise Stock .....	7,900		
Accounts Receivable .....	945	<i>Capital</i>	
Notes Receivable .....	800	B. Carlson, Prop. ....	10,000
Store Fixtures .....	1,500		
	\$11,785		\$11,785

D. LEWIS  
Balance Sheet, January 24, 1935

Assets		Liabilities	
Cash .....	\$ 470	Notes Payable .....	\$1,200
Merchandise Stock .....	7,540	Accounts Payable .....	620
Accounts Receivable .....	610		
Unexpired Insurance .....	25	<i>Capital</i>	
Store Fixtures .....	1,175	D. Lewis, Prop. ....	8,000
	\$9,820		\$9,820

Assuming that the terms of the agreement have been carried out today, prepare the balance sheet of the new firm, showing each partner's net worth. [Classification of assets and liabilities not required] [15]

[4]

[OVER]

365

Group III

Answer one question from this group.

5 Answer both parts of this question:

- a Many partnership agreements contain a clause which provides that, when profits are to be divided, each partner is to receive a stipulated rate of interest on his investment before any further division of profits is made. Write a paragraph explaining the purpose of this provision. [5]
- b In recording the discounting of notes receivable, it is better to credit a special account than to credit the Notes Receivable account. Indicate how the notes receivable on hand are shown on the balance sheet when there is a balance in this special account [2]. Why is it preferable to use this special account to record the discounting of notes receivable [3]?

Thursday, January 24, 1935 — 9.15 a. m. to 12.15 p. m., only

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

If this question is chosen, detach this page and hand it in with your other answer paper.

6 In *each* of the following statements write in the blank space the word or words required to complete the statement: [10] [For each incorrect answer one credit should be deducted.]

- a The indorsement "Pay to the order of B. Moss, (signed) R. Stone" is known as a ..... indorsement.
- b The deduction from the list price in billing goods is known as a .....
- c The petty cashier furnishes proof of each disbursement by means of .....
- d The records in the sales returns and allowances journal are made from .....
- e Interest that has accrued on a mortgage payable is classified on the balance sheet as a ..... liability.
- f Failure to take into account deferred expenses causes the amount of the net profit on the Profit and Loss Statement to be .....
- g The rate of merchandise turnover is determined by dividing the cost of sales by the .....
- h When a manufacturer ships goods F.O.B. Detroit to a customer at Albany, N. Y., the freight charges on the shipment must be borne by the .....
- i One of the legal characteristics of a partnership is ..... liability.
- j The omission of a posting to a creditor's account from the cash payments journal will cause the total of the Accounts Payable schedule to be ..... than the balance of the Accounts Payable controlling account.

266