

The University of the State of New York

265TH HIGH SCHOOL EXAMINATION

BOOKKEEPING II

Wednesday, January 22, 1936 — 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 question from group III.

Group I

Answer questions 1 and 2.

1. Use general journal, cashbook and petty cashbook. Columns required in the general journal are: Debit side — Notes Receivable, Accounts Payable, General Ledger; Credit side — General Ledger, Accounts Receivable, Notes Payable. Columns required in the cashbook are: on the receipts side — General Ledger, Accounts Receivable, Sales Discount, Net Cash; on the payments side — General Ledger, Accounts Payable, Purchases Discount, Net Cash. Columns required in the petty cashbook are: Date, Explanation, Receipts, Payments, Delivery Expense, General Expense and, under Sundry Items, columns for Account Debited and Amount.

On November 1, 1935, the firm of Langdon and Starr, dealers in lighting fixtures, had a balance of \$3460 in the bank and \$25 in the petty cash drawer.

Record the bank balance in the firm's cashbook and the petty cash balance in the petty cashbook. Make, with sufficient explanations, entries for the following selected transactions, checking all items that should not be posted separately:

- November 1 Paid by check \$175 to the Hellman Realty Corporation for November rent.
- November 2 Issued to Barnes & Wallace our 60-day note, bearing interest at 4%, in settlement of October account amounting to \$550, less a discount of 2%.
- November 7 Paid \$3.50 in currency for cleaning floors.
- November 8 Discounted at the bank, at 6%, F. Ralston's three-months non-interest-bearing note for \$820. Mr Ralston had drawn and issued this note to us on October 22 in settlement of his account.
- November 9 Our truck driver spent \$2.60 for gasoline, while making city deliveries. Reimbursed him from our petty cash fund.
- November 11 F. L. Draper, whose 60-day note in our favor for \$300, with interest at 4%, fell due today, asked to renew the note. He paid us the interest due in currency and gave us a new 20-day interest-bearing note.
- November 14 Mailed a check to Hawley & Strong in payment of invoice of October 30 for \$706.80, less 2%.
- November 15 G. Langdon, one of the partners, took \$5 from the petty cashbox for personal use.
- November 16 Received a check for \$50 from E. F. Townsend to apply on his July account.
- November 18 Received from H. Frankel, for merchandise sold to him November 14, a 30-day trade acceptance for \$480, which we had drawn on him on the date of sale and which he had accepted.
- November 19 E. F. Townsend's check for \$50, which we had received and deposited on the 16th, was returned by our bank marked "account closed."
- November 21 Received notice from the bank that it paid today the firm's 90-day note for \$1250, with interest at 6%, which had been issued to the Sunray Lighting Fixture Company.
- November 22 The shipping department manager was given \$10 from the petty cash fund for parcel-post stamps.

BOOKKEEPING II — *continued*

- November 23 Received from J. Harrison a draft on the First National Bank in payment of invoice of November 15 for \$430, less 2%.
- November 25 Mailed a credit memorandum for \$42.80 to C. B. Gardner for the return of two defective floor lamps shipped to him on account November 11.
- November 27 Gave our check for \$500 to Evans & Wagner to be applied against merchandise purchases made during November. By agreement with this firm we were allowed a cash discount of \$10.20.
- November 29 Drew a monthly pay-roll check for \$960.
- November 30 Drew a check to restore the petty cash fund to its balance at the beginning of the month. [In making the entry for the replenishment, use the method that you have been taught.]

Close the cashbook and bring down the balance. Balance the petty cashbook. Foot and rule the general journal. Indicate clearly how totals are to be posted, but do not post. [50]

2 The following trial balance was taken from the general ledger of Judd & Rodman, December 31, 1935. From this trial balance and the additional information given below, prepare a classified balance sheet as of December 31, 1935. The partnership agreement provides that profits and losses are to be shared in proportion to the partners' original investments. [25]

JUDD & RODMAN
Trial Balance, December 31, 1935

Cash	\$ 9,150	
Notes receivable	12,650	
Notes receivable discounted		\$ 1,600
Delivery equipment	3,200	
Sales		111,242
Purchases	84,140	
Accounts receivable	19,413	
Purchases discount		1,032
Freight and cartage outward	735	
Merchandise inventory, January 1, 1935	36,200	
Freight inward	690	
Insurance	475	
Shipping supplies	530	
Furniture and fixtures	1,600	
Sales discount	1,505	
Accounts payable		10,519
Interest income		297
Notes payable		9,470
Rent	3,500	
Salaries	8,370	
Advances on salesmen's salaries (for year 1936)	400	
General expense	1,856	
Reserve for depreciation of furniture and fixtures		480
Reserve for depreciation of delivery equipment		640
Reserve for bad debts		50
Sales returns	642	
Interest cost	274	
C. L. Judd, capital		30,000
W. Rodman, capital		20,000
	\$185,330	\$185,330

Additional Information, December 31, 1935

Merchandise inventory, December 31, 1935	\$40,500
Shipping supplies on hand	125
Unexpired insurance premiums	80
Accrued interest on notes receivable	112
Accrued interest on notes payable	78
Additional reserve for bad debts, $\frac{1}{2}$ of 1% of net sales	
Depreciation of delivery equipment, 15% of cost	
Depreciation of furniture and fixtures, 5% of cost	

278

BOOKKEEPING II — *continued*

Group II

Answer either question 3 or question 4.

3 The following two accounts are taken from our Accounts Receivable ledger:

Terms $\frac{2}{10}$ $\frac{n}{30}$		CHARLES NOLAN				Boston, Mass.			
1935					1935				
July	10	S	20	65	July	20	C	48	65
Aug.	14	S	28	90	Aug.	24	C	54	90
Sep.	23	S	40	140	Oct.	3	C	62	140
Oct.	4	S	45	185	Oct.	14	C	66	185
Nov.	16	S	58	215	Nov.	26	C	74	215
Dec.	27	S	67	240	Dec.	31	Balance		240
				935					935
1936									
Jan.	1	Balance		240					

Terms $\frac{2}{10}$ $\frac{n}{30}$		SAMUEL P. LAWSON				Danbury, Conn.				
1935					1935					
July	8	S	19	510	July	20	Return	J	35	60
Sep.	16	S	38	350	Aug.	10		C	52	200
Nov.	18	S	59	220	Sep.	3		C	58	250
Dec.	17	S	64	115	Oct.	1	Return	J	40	75
						15	30-day note	J	41	275
					Dec.	5	Return	J	49	40
						31	Balance			295
				1195						1195
1936										
Jan.	1	Balance		295						

Answer *all* parts of this question: [15]

- To what extent has *each* of these customers taken advantage of the cash discount?
- Which account was overdue on January 1, 1936, and by how much?
- Lawson's account shows a record of three sales returns, while Nolan's account shows that no sales returns were made. Give *three* possible explanations for the frequency of Lawson's returns.
- Referring to the records of the sales in each account, state which account is the more satisfactory from the salesman's point of view and give reasons for your answer.
- State your opinion about Mr Lawson's practice in meeting his bills.

4 Referring to the trial balance and the additional information in question 2, set up on standard ledger paper or in T-account form the accounts from which the gross profit on sales may be determined. Close and rule off these accounts and show the gross profit on sales in the Profit and Loss account. [No closing journal entries are required.] [15]

279

Group III

Answer either question 5 or question 6.

5 Answer *both* parts of this question:

- a* Distinguish between deferred income and accrued income, giving an example of each. [5]
- b* Using the example you gave for accrued income in answer to *a*, state exactly how you would handle this item immediately after the books have been closed or during the new accounting period. [5]

Wednesday, January 22, 1936 — 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 On the line before *each* statement write the number preceding the group of words that most satisfactorily completes the statement. [10] [Deduct *one* credit for each incorrect answer.]

- *a* At the end of the month the bookkeeper sends to each customer whose account is open
(1)an invoice (2)a statement of account (3)an account sales
- *b* Interest cost should be reported on the statement of profit and loss as (1)a selling expense
(2)a general and administrative expense (3)a financial expense
- *c* Double entry refers to (1)making a journal and a ledger record for each transaction
(2)keeping a record of a transaction in a controlling account and in a subsidiary ledger
(3)debiting one account and crediting another for each transaction
- *d* The debits to the Accounts Receivable controlling account may originate in (1)the cash receipts journal (2)the purchases journal (3)the sales journal
- *e* Failure to consider a deferred expense item at the time of closing the books results in
(1)an understatement of assets (2)an overstatement of net profit (3)an understatement of liabilities
- *f* A purchase-book entry of \$230 is posted to a creditor's account as \$320. This error will at the end of the month result in (1)an incorrect balance in the Accounts Payable controlling account (2)a failure to strike the trial balance of the general ledger (3)an incorrect total in the abstract or schedule of the Accounts Payable ledger
- *g* An invoice dated September 5 and subject to the terms $\frac{2}{10}$ $\frac{n}{30}$ E. O. M. is due
(1)October 5 (2)October 30 (3)October 10
- *h* In a partnership each partner (1)is individually liable for all of the firm's debts
(2)is liable for a percentage of the firm's debts equal to that which he shares in the profits and losses (3)is liable for such proportion of the firm's debts as his capital bears to the total capital of the firm
- *i* In a C. O. D. freight shipment the order B/L with S/D attached is sent by the shipper
(1)to the shipper's bank or a bank at destination (2)to the customer (3)to the freight agent of the carrier at destination
- *j* If the drawer of a check has had it certified and then decides not to use it, he should
(1)destroy it and mark the check stub "void" (2)deposit it in his bank
(3)notify the bank to cancel the check

280