

The University of the State of New York

311TH HIGH SCHOOL EXAMINATION

BOOKKEEPING II

Wednesday, January 24, 1951 — 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 time requirement is four or five recitations a week for two school years.

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

Part I

Answer both questions in this part.

1 Use general journal and 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, Purchase Discount, Net Cash.

On November 1, 1950, the firm of Reynolds & Dean has a bank balance of \$3145.

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

November 3 Received from James Warren a check for \$637 in full settlement of the invoice of October 27 for \$650 less 2%.

November 4 Issued a check for \$59.75 to Herkimer Auto Mechanics in payment for repairs made today on our delivery truck.

November 6 Received a credit memorandum for \$72 from Wright & Co. for damaged merchandise we had returned.

November 7 Sold for cash to Henry Brant, one of our employees, merchandise marked to sell for \$60. We allowed him a discount of 20% on the marked price.

November 10 Received notice from our bank that it had collected the sight draft for \$632 drawn by us on Samuel Field, a customer. Collection charges amounted to \$1.25, and we were credited with the proceeds.

November 11 Mailed a check to Wright & Co. in settlement of invoice of November 4 for \$535 less the return of \$72, and less 2% discount.

November 13 John Reynolds, one of the partners, took from stock for use in his home merchandise costing \$45.

November 17 Issued a check to the Central Hardware Co. in settlement of the following invoices: October 20, \$160; November 9, \$400 less 2%.

November 21 Paid our 90-day 6% interest-bearing note for \$980 in favor of the Lane Valve Co.

November 25 Stephen Crews, a customer, accepted and returned to us the 60-day trade acceptance we had drawn on him for the invoice of November 21 amounting to \$425.

November 27 We prepaid freight charges of \$18.50 on a shipment of merchandise to Joseph Wood, a customer. He is to be charged for this amount.

November 28 Purchased from the Precision Machine Co. two machines for use in our repair shop. Issued our 60-day 5% interest-bearing note for \$840 in payment.

November 29 An examination of the cash register disclosed that cash was short \$1.75.

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

2 From the following trial balance and additional information, prepare a classified balance sheet. The partnership agreement provides that interest at 6% per annum is to be allowed on capital at the beginning of the year and that the remaining profit is to be divided equally. [25]

WATERS & CLARK

Trial Balance, December 31, 1950

Cash	\$ 3,458	.....
Petty Cash	50	.....
Notes Receivable	2,960	.....
Accounts Receivable	9,745	.....
Reserve for Bad Debts		\$ 285
Merchandise Inventory, January 1, 1950	19,437	.....
Furniture and Fixtures	2,065	.....
Reserve for Dep. of Furniture and Fixtures		400
Delivery Equipment	2,400	.....
Notes Payable		925
Accounts Payable		4,625
John Waters, Capital		15,000
John Waters, Personal	4,000	.....
Robert Clark, Capital		10,000
Robert Clark, Personal	3,500	.....
Sales Income		74,395
Sales Returns and Allowances	646	.....
Purchases	46,920	.....
Purchase Returns and Allowances		650
Freight and Cartage In	645	.....
Rent	1,500	.....
Salaries	5,675	.....
Taxes	360	.....
Insurance	256	.....
Office Supplies	115	.....
Shipping Supplies	295	.....
Delivery Expense	720	.....
Interest Cost	76	.....
Discount on Sales	964	.....
Interest Income		130
Discount on Purchases		756
General Expense	184	.....
Telephone, Telegraph, and Postage	320	.....
Advertising	875	.....
	<u>\$107,166</u>	<u>\$107,166</u>

Additional Information, December 31, 1950

Merchandise Inventory, December 31, 1950	\$15,250
Insurance Prepaid	70
Shipping Supplies Inventory	92
Interest Accrued on Notes Receivable	17
Salaries Payable	145
Depreciation of Furniture and Fixtures	180
Depreciation of Delivery Equipment	240
Additional Allowance for Bad Debts	250

Part II

Answer either question 3 or question 4.

- 3 a From the information given in the trial balance in question 2, set up on ledger paper or in T-account form the Accounts Receivable account and the Reserve for Bad Debts account. Set up also on ledger paper or in T-account form the following account which appears in the customers' ledger of Waters & Clark: [3]

HENRY BLAKE

1950			
Nov. 15	Bal.	800	

- b Record the following in two-column general-journal form. [Explanations may be omitted.]
- (1) The additional allowance for bad debts on December 31, 1950, given in the additional information of question 2. [2]
 - (2) The entry to close the Bad Debts account on December 31, 1950. [2]
 - (3) Henry Blake was declared a bankrupt. On January 15, 1951, Waters & Clark received \$200 in full settlement of his account. The balance of \$600 is uncollectible and is to be written off. [4]
- c Post the entries you have written, opening any additional accounts necessary. Show all dates and folio numbers. [4]

[Teacher: Errors in ledger accounts should not be penalized if previously penalized in journal entry. Maximum deduction for omission of folio numbers in journal and ledger accounts, 2 points.]

- 4 The following account was taken from the books of Bingham & Daly:

ACCOUNTS RECEIVABLE

1950					1950					
Jan.	1	Balance		6000	Jan.	31	C	26	4000	
	31		S	12	14000	31	J	14	650	
Feb.	15		C	29	42	Feb.	28	C	30	9000
	28		S	15	12000	28	J	16	375	
Mar.	31		S	18	13500	Mar.	31	C	34	8000
						31	J	17	425	

Answer *all* of the following questions relating to the above account:

- a In which ledger is this account found? [1]
- b State *two* advantages that result from the use of this account. [2]
- c What does the debit of \$13,500 on March 31 represent? [1]
- d What amount should the bookkeeper in charge of the individual customers' accounts report as receivable from them:
 - on January 31? [1]
 - on February 28? [1]
- e State *two* different kinds of transactions that the credit of \$650 on January 31 may represent. [2]
- f State *one* kind of transaction that the debit of February 15 may represent. [2]
- g A sale for \$350 made on March 24, 1950 to William Starr was properly entered in the sales journal, but by mistake it was not posted to the customers' ledger. Would this error affect the correctness of the Accounts Receivable account? Explain. [3]
- h The balance in the Reserve for Bad Debts account on March 31 is \$815. As of that date, what amount do Bingham & Daly believe is collectible from their customers? [2]

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

Detach this page and hand it in with your other answer paper.

Part III

Answer either question 5 or question 6.

5 On the line at the right of each statement, write the word *true* if the statement is true. If the statement is false, write the word or expression that should be substituted for the italicized word or expression to make the statement correct. [One credit for each correct answer; no partial credit.] [10]

[Example: The total of the Purchase Journal should be posted to the credit side of the *Accounts Receivable* controlling account.

Accounts Payable]

- a When drawing a check, always fill out the *body of the check* first. a.....
- b In the Profit and Loss statement, an overvaluation of the merchandise inventory at the end of the accounting period will result in an overstatement of the *gross profit on sales*. b.....
- c When goods are sold with terms of $\frac{2}{10}, \frac{N}{30}$, the period of discount is figured from the date of *arrival of the goods*. c.....
- d When a buyer issues a check in settlement of an invoice less a discount, his capital *increases*. d.....
- e A check issued on October 23, 1950, but dated October 30, 1950, is said to be *postdated*. e.....
- f Henry Drake's capital is \$24,000. An incoming partner who invests \$6,000 more will have a *one-fourth* interest in the business. f.....
- g Special columns in books of original entry make for *fewer* postings by the bookkeeper. g.....
- h When preparing the bank reconciliation statement, the bookkeeper should deduct service charges appearing on the bank statement from the *balance reported by the bank*. h.....
- i The post-closing trial balance is similar in content to the *Profit and Loss Statement*. i.....
- j The rate of return on capital is found by dividing the net profit by the amount of *capital invested*. j.....

6 Write on the line at the right of each statement the *number* preceding the word or expression that *best* completes the statement. [One credit for each correct answer; no partial credit.] [10]

[Example: The Notes Receivable account is (1)an asset account (2)a liability account (3)a capital account ..1..]

- a The Reserve for Depreciation of Furniture and Fixtures account is best described as (1)a liability account (2)an asset valuation account (3)a capital account a.....
- b Federal Old Age Benefit taxes are paid by (1)both employer and employee (2)the employer only (3)the employee only b.....
- c On the balance sheet, Interest Payable on Mortgage should be classified as a (1)fixed liability (2)deferred expense (3)current liability c.....

- d* A cashier's check is best described as a (1)personal check (2)check drawn by one bank on another bank (3)check drawn by a bank on itself

d.....
- e* A trade acceptance is usually drawn on a customer for (1)a current sale of merchandise on credit (2)an overdue balance (3)a C.O.D. shipment by freight

e.....
- f* Freight outward on goods sold is considered a (1)part of the cost of goods sold (2)selling expense (3)general business expense.

f.....
- g* The entry debit Interest Payable, credit Interest Cost is described as (1)a closing entry (2)a reversal or post-closing entry (3)an adjusting entry

g.....
- h* A person who mails a check for deposit in a bank should use (1)a blank indorsement (2)no indorsement (3)a restrictive indorsement

h.....
- i* Expenses incurred but not paid for when the books are closed are best described as (1)accrued expenses (2)deferred expenses (3)prepaid expenses

i.....
- j* If a bank draft is received from a customer (1)it should be recorded in the general journal (2)it should be recorded in the cash receipts journal (3)no entry should be made until it is collected.

j.....