The University of the State of New York

314TH HIGH SCHOOL EXAMINATION

BOOKKEEPING II

Wednesday, January 23, 1952 — 9.15 a. m. to 12.15 p. m., only

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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 On December 10, 1951, you were employed as bookkeeper for the firm of Barton & Stowe and instructed to enter the following totals in the five journals indicated below:

a General journal: debit side — Notes Receivable $950, Accounts Payable $2175.43, General Ledger $1615.27; credit side — General Ledger $1975.45, Accounts Receivable $1265.25, Notes Payable $1500

b Cash receipts journal: General Ledger $1250, Accounts Receivable $1370, Sales Discount $27.40, Net Cash $2592.60

c Cash payments journal: General Ledger $175, Accounts Payable $615, Purchase Discount $12.30, Net cash $777.70

d Sales journal: $1485.23

e Purchases journal: $1196.49

After you have entered the above totals, make, with sufficient explanations, the necessary entries to record the following selected transactions, checking all entries that are not to be posted separately:

December 11 Sent the Sutton Realty Co. a check for $210 in payment of the rent for December.

December 12 Sold Arthur Harding, Riverhead, Long Island, $200 merchandise, terms 30-day trade acceptance. Sent the trade acceptance to Arthur Harding with the invoice.

December 14 Received the trade acceptance from Arthur Harding for the invoice of December 12, properly accepted.

December 17 Sold to Douglas May, Mahopac, New York, terms $^2/_{10}$, $^N/_{30}$, merchandise for $450. We prepaid the $15 freight on this shipment and charged it to May's account.

December 18 Bought a bookkeeping machine for office use from the Regent Business Machine Co. for $1000, terms $200 cash and a 30-day note for the balance. We gave them a check for $200 and our 30-day note for $800.

December 19 Bought merchandise from the Star Trading Co. for $125, terms $^3/_{10}$, $^N/_{30}$.

December 20 Received a check from David Howell in payment of our invoice of December 10 for $475 less 2%.

December 21 Received a check for $812 from Albert Maran in payment of his 90-day note for $800 and interest at 6%.

December 24 Returned damaged goods bought on December 19 from the Star Trading Co. and received credit for $25.

December 26 Arthur Barton, a partner, drew the firm's check for $500 in payment for a television set for use in his home.

December 27 Received a check for $456 from Douglas May in payment of our invoice of December 17, less the discount, plus the freight charges. (See transaction of December 17.)

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December 28 Sent a check for $97 to the Star Trading Co. for its invoice of December 19 less the return of December 24 and the discount.

December 31 Received a notice from our bank that it charged our account $4.50 for collection services during the month.

The cash balance on December 1 was $2427.30. Close and summarize the cashbook and bring down the new cash balance.

Foot and rule (*a*) the general journal, (*b*) the sales journal, (*c*) the purchases journal. Indicate clearly how the totals of the journals are to be posted, but do not post. [50]

2 The trial balance below was taken from the ledger of Davis and Hopkins on December 31, 1951. From the trial balance and the additional information, prepare a classified balance sheet. The partnership agreement provides that profits and losses are to be shared according to capital ratio. [25]

DAVIS & HOPKINS
Trial Balance, December 31, 1951

Cash	$ 7,451	....
Notes Receivable	2,350	....
Accounts Receivable	18,600	....
Office Equipment	2,500	....
Reserve for Depreciation of Office Equipment	....	$ 1,000
Land	5,000	....
Building	55,000	....
Reserve for Depreciation of Building	....	3,600
Notes Payable	....	1,550
Accounts Payable	....	10,180
Withholding Taxes Payable	....	220
Social Security Taxes Payable	....	45
Mortgage on Land and Buildings	....	15,000
Merchandise Inventory, January 1, 1951	41,350	....
Merchandise Purchases	285,322	....
Purchase Returns and Allowances	....	1,465
Freight Inward	1,270	....
Sales Income	....	332,492
Sales Returns and Allowances	2,495	....
Freight and Cartage Outward	1,210	....
Interest Cost	655	....
Insurance	1,125	....
Advertising	3,472	....
Salaries	16,370	....
Office Supplies	3,170	....
General Expense	895	....
Shipping Supplies	1,314	....
Sales Discount	4,265	....
Interest Income	....	85
Purchase Discount	....	3,120
Arthur Davis, Personal	9,493	....
Charles Hopkins, Personal	5,450	....
Arthur Davis, Capital	....	60,000
Charles Hopkins, Capital	....	40,000
	$468,757	$468,757

Additional Information, December 31, 1951:

Merchandise Inventory, December 31, 1951	$46,275
Interest accrued on Notes Receivable	18
Insurance prepaid	210
Accrued Salaries	245
Shipping Supplies Inventory	150
Depreciation of office equipment, 5% of cost	
Depreciation of building, 2% of cost	
Reserve for doubtful accounts, 2% of Accounts Receivable	

Part II

Answer either question 3 or question 4.

3 All of the following statements are true. Give *one good reason* for the correctness of each statement. Reasons must be stated in clear and complete sentences. A mere repetition of the original statement will receive no credit. [15]

a Although no errors have been made, the checkbook balance at the end of the month usually is not the same as the bank statement balance.

b Customers' notes that have been discounted should be recorded in a contingent liability account until the notes have been paid.

c It is desirable that a cash proof be made daily.

d The current ratio should be at least 2 to 1.

e The use of the imprest cash fund or the petty cash fund is a valuable method of handling small payments.

4 Answer *all* parts of this question.

a Name *three* parties that would be interested in a firm's Profit & Loss Statement. [3]

b On December 31, 1951, there is a balance in the Rent account of $3,900. This includes a payment of $600 by us on December 5 for the rent for December 1951 and January 1952. If the books are closed on December 31, 1951, what adjusting entry should be made? [3]

c Merchandise that is listed in the catalog at $120 is sold less a trade discount of 25%. What should be the amount recorded in the sales journal? [2]

d State a reason why it is good business practice to make payments by check. [2]

e State two errors that a bookkeeper may make which will not affect the equality of the debit and credit totals of the trial balance. [2]

f The bookkeeper finds that many individual postings are made to the Sales account from the Cash Receipts Journal each month. What can be done to reduce the number of postings? [3]

Turn to Part III on page 4.

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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]

a The net sales minus cost of goods sold equals the *net* profit. *a*................

b Entries in the purchases journal are made from the purchase *requisitions.* *b*................

c Freight In should be shown in the *Cost of Goods Sold* section of the Profit & Loss Statement. *c*................

d The checks returned by the bank with the bank statement at the end of the month are called *canceled* checks. *d*................

e A *balance sheet* shows the balances of the general ledger accounts before the ledger is closed. *e*................

f The *book* value of a fixed asset may be found by deducting the reserve for depreciation from the cost of the asset. *f*................

g The New York State Unemployment Insurance tax is paid by the *employer.* *g*................

h Most of the credits to the customers' accounts in the Accounts Receivable Ledger are posted from the *Sales* Journal. *h*................

i Failure to record the accrued salaries payable when the books are closed causes an *overstatement* of the profit for the period. *i*................

j A check drawn by one bank on another bank is known as a *cashier's check.* *j*................

6 On the line at the right of *each* expression in Column B, place the *number* of the word or expression in Column A that is most closely related to it. [One credit for each correct answer.] [10]

Column A

1 Accrual basis
2 Accrued income
3 Bill of lading
4 Blank indorsement
5 Cash basis
6 Cash discount
7 Certified check
8 Check stubs
9 Current ratio
10 Deferred income
11 Drawee
12 Drawer
13 F. O. B. destination
14 F. O. B. shipping point
15 Full indorsement
16 Invoice
17 Statement of account
18 Trade discount
19 Warehouse receipt
20 Working capital

Column B

a The one who writes a draft *a*......

b The report sent to each customer whose account is open at the end of the month *b*......

c An offer to customers to induce them to pay their bills within a specified time *c*......

d An indorsement reading " Pay to the order of Martin Travers (signed) John Jones " *d*......

e Income that has been received but not yet earned *e*......

f Current assets minus current liabilities *f*......

g The source from which entries should be made in the cash payments journal *g*......

h A receipt issued by a common carrier *h*......

i Transportation charges paid to the carrier by the buyer *i*......

j A method of keeping records so that all items of expense are recorded in the accounting periods during which they were incurred *j*......