

BOOKKEEPING II

Tuesday, January 22, 1957 — 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.

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

Part I

Answer both questions in this part.

1 Answer a, b and c:

a Use the following journals with special columns as indicated:

[Note: In the cash receipts journal FIVE columns are required; in the cash payments journal EIGHT columns are required.]

Cash Receipts Journal: General Ledger, Cash Sales, Accounts Receivable, Sales Discount, Net Cash

Cash Payments Journal: General Ledger, Accounts Payable, Salaries, Withholding Taxes Payable, F.I.C.A. Taxes Payable, Disability Benefits Taxes Payable, Purchase Discount, Net Cash

Petty Cashbook: Date, Explanation, Receipts, Payments, Office Expense, Freight In and, under Sundry Items, columns for Account Debited and Amount

On December 1, 1956, the firm of Rogers and Watson had a balance of \$6,150 in the bank and \$50 in the petty cashbox. Make, with sufficient explanations, entries for the following selected transactions, checking all items that should not be posted separately:

December 3 Bought an adding machine for \$395 from the Accurate Office Machines Co. for use in the office. Issued check No. 101 in payment.

December 5 Gave \$2.40 in currency to our office boy to buy two typewriter ribbons.

December 7 Received from Arthur Stern a check for \$294 in full settlement of the invoice of November 27, which amounted to \$375, less the return of \$75 made on November 30 and less a 2% cash discount.

December 10 Sent check No. 102 for \$833 to the Brown Manufacturing Co. in payment of invoice of November 15 amounting to \$850, less a discount of 2%.

December 12 Frank Watson, a partner, took \$10 from petty cash for his personal use.

December 14 Drew check No. 103 in payment of taxes withheld from employees' salaries during the month of November and of the employer's share of F.I.C.A. taxes as follows:

Withholding taxes	\$274.80
F.I.C.A. taxes (employees' share)	51.20
F.I.C.A. taxes (employer's share)	51.20

December 17 Borrowed \$5,000 from the Royal National Bank. We gave the bank our 60-day, noninterest-bearing note for \$5,000 and received credit for the net proceeds, amounting to \$4,950.

December 18 Gave \$7.80 in currency to the driver of the truck for the Acme Trucking Co. in payment of freight on goods delivered to us.

b c 17

December 21 Drew check No. 104 to meet the weekly payroll. The following information was obtained from the payroll record:

Total earnings	\$640.00
Withholding taxes	68.70
F.I.C.A. taxes	12.80
Disability Benefits taxes	2.25
Net payment	556.25

December 26 Received from the Baldwin Manufacturing Co. a check for \$23 and a letter informing us that we had failed to deduct the cash discount of \$23 when we paid our bill last month.

December 27 Sold goods for \$50 cash.

December 28 Bought a chair for the office for \$20. We paid for this with currency drawn from our petty cash fund.

December 31 Drew check No. 105 to restore the petty cash fund to its original balance. [In making the entry for replenishment, use the method that you have been taught.]

Close and summarize *all* journals. Use the method that you have been taught. [50]

b Post to the accounts in the general and subsidiary ledgers from the *Cash Receipts Journal* only. Show all dates and folio numbers. [Include the entries that would normally be posted during the month as well as the totals at the end of the month.] [8]

c What is the bank balance on December 31, 1956? [2]

2 Answer *both a* and *b*:

a Prepare a Statement of Partners' Capital as of December 31, 1956, using the following data and information obtainable from the statement prepared on December 31, 1955, which is given below. You may use the previous year's statement as a model. [10]

Thomas Carter and Howard Blau are partners in the dress manufacturing business. During the year ending December 31, 1956, the firm made a net profit of \$42,000. During 1956 each partner withdrew for his personal use as follows: Thomas Carter, \$9,600; Howard Blau, \$12,300. According to the partnership agreement, Carter's share of the profits is 40% and Blau's is 60%.

THOMAS CARTER and HOWARD BLAU
Statement of Partners' Capital
December 31, 1955

Thomas Carter		
Capital Jan. 1, 1955.....		\$40,000
Share of Net Profit.....	\$12,000	
Less: Withdrawals	8,000	
Net Increase to Capital.....		4,000
Capital Dec. 31, 1955.....		\$44,000
Howard Blau		
Capital Jan. 1, 1955.....		60,000
Share of Net Profit.....	18,000	
Less: Withdrawals	10,000	
Net Increase to Capital.....		8,000
Capital Dec. 31, 1955.....		68,000
Total Capital Dec. 31, 1955.....		\$112,000

b Give the entry to be made in the General Journal showing the distribution of the net profit to the partners. [5]

[2]

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Part II

Answer either question 3 or question 4.

3 Complete the following payroll. The withholding tax can be obtained from the table given below. The F.I.C.A. tax rate is $2\frac{1}{4}\%$. The Disability Benefits tax rate is $\frac{1}{2}$ of 1% with a maximum deduction of \$.30 per week for any employee. [15]

Payroll Record
Week ending January 11, 1957

Employee	No. of Exemptions	Total Earnings	Withholding Tax	F.I.C.A. Tax	Disability Benefits Tax	Total Deductions	Net Payment
Henry Starr	2	\$52.00	\$	\$	\$	\$	\$
Miriam Brown	1	58.50					
Frank Grant	3	68.00					
TOTALS	—	\$	\$	\$	\$	\$	\$

Income Tax Withholding Table
Weekly Payroll Period

When the wages are—		And the number of withholding exemptions claimed is—										
At least	But less than	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of income tax to be withheld shall be—										
\$50	\$51	\$9.10	\$6.80	\$4.50	\$2.20	\$0	\$0	\$0	\$0	\$0	\$0	\$0
51	52	9.30	7.00	4.70	2.30	0	0	0	0	0	0	0
52	53	9.50	7.10	4.80	2.50	.20	0	0	0	0	0	0
53	54	9.60	7.30	5.00	2.70	.40	0	0	0	0	0	0
54	55	9.80	7.50	5.20	2.90	.60	0	0	0	0	0	0
55	56	10.00	7.70	5.40	3.10	.80	0	0	0	0	0	0
56	57	10.20	7.90	5.60	3.20	.90	0	0	0	0	0	0
57	58	10.40	8.00	5.70	3.40	1.10	0	0	0	0	0	0
58	59	10.50	8.20	5.90	3.60	1.30	0	0	0	0	0	0
59	60	10.70	8.40	6.10	3.80	1.50	0	0	0	0	0	0
60	62	11.00	8.70	6.40	4.10	1.70	0	0	0	0	0	0
62	64	11.30	9.00	6.70	4.40	2.10	0	0	0	0	0	0
64	66	11.70	9.40	7.10	4.80	2.50	.20	0	0	0	0	0
66	68	12.10	9.80	7.40	5.10	2.80	.50	0	0	0	0	0
68	70	12.40	10.10	7.80	5.50	3.20	.90	0	0	0	0	0

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4 Answer all parts of this question :

- a The accounts receivable controlling account balance is \$14,500. The balance in the Reserve for Bad Debts account at the end of the year is \$150. The policy is to maintain the reserve for bad debts at 2% of the accounts receivable. What amount is to be listed on the profit and loss statement as bad debts? [3]
- b In totaling the Sales Journal at the end of the month, the bookkeeper makes an error in addition and posts the incorrect amount to the controlling account and to the Sales Income account. In what way will this error affect the trial balance and schedules? [3]
- c Explain how the use of special columns in a book of original entry saves time. [3]
- d At the end of the business year, salesmen's unpaid commissions amount to \$2,000. Make the necessary adjusting entry. [Omit the explanation.] [2]
- e A bill for repairs to the delivery truck, amounting to \$18, was debited to the Delivery Equipment account. Make the necessary correction entry. [Omit the explanation.] [2]
- f A truck purchased for \$5,000 is estimated to have a life of 5 years and will then be worth \$500. Using the straight line method, determine the amount of the annual depreciation. [2]

Part III

Answer either question 5 or question 6.

5 a Write the four transactions that gave rise to the entries in George Arnold's account shown below. [4]

GEORGE ARNOLD

1956 Nov.	2	2/10 N/30	S	10	650	1956 Nov.	5	Return	GJ	4	50
	3	Freight on above	CP	19	15		12		CR	18	615

- b In which ledger will the above account be found? [1]
- c You are notified by a creditor that he has lost the \$300 check you gave him in payment of your account. Outline the correct business procedure to be followed. [3]
- d Why is it good business practice to keep canceled checks on file? [2]

6 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 When goods are sold terms f.o.b. shipping point, freight charges are paid by the *seller*. a.....
- b The abbreviation E.O.M. appearing on an invoice means *Errors on Merchandise*. b.....
- c In New York State, the unemployment insurance tax is paid by the *employer*. c.....
- d If there are outstanding checks, the checkbook balance at the end of the month should be *larger than* the bank statement balance. d.....
- e The *book value* of a fixed asset may be determined by subtracting the depreciation reserve from the cost of the asset. e.....
- f A ratio used to determine the ability of a business to meet its debts as they fall due is the *merchandise turnover* ratio. f.....
- g An endorsement reading "Pay to the Union Bank for deposit only ... (signed) George Brooks" is a (an) *restrictive* endorsement. g.....
- h A (An) *trade* discount is a deduction allowed in order to obtain the early payment of cash. h.....
- i A statement issued by a bank which reveals the opening balance, the deposits, the checks paid and the closing balance is the *balance sheet*. i.....
- j The source from which entries in the sales journal are prepared is the *credit memorandum*. j.....