

The University of the State of New York

REGENTS HIGH SCHOOL EXAMINATION

BOOKKEEPING II

Tuesday, January 21, 1958—9:15 a.m. to 12:15 p.m., only

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

The entire question paper should be handed in at the close of the examination.

Part I

Answer both questions in this part.

1 Answer *a, b* and *c*:

a Use the following *four* journals with special columns as indicated:

[*Note*: In the general journal, FIVE columns are required; in the cash receipts journal FOUR columns are required; and in the cash payments journal FOUR columns are required.]

General Journal: *Debit side* — Notes Receivable, Accounts Payable, General Ledger

Credit side — General Ledger, Accounts Receivable

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

Cash Payments Journal: General Ledger, Accounts Payable, Purchase Discount, Net Cash

Purchase Journal

Sales Journal is not required.

Max Astor and George Barton are partners in a wholesale furniture business. On December 1, 1957, the business had a bank balance of \$3,770. Make, with sufficient explanations, entries for the following selected transactions, checking all items that should *not* be posted separately:

December 2 Sent a check for \$145 to the Mutual Insurance Co. in payment of the fire insurance premium on the business property.

December 3 Bought from M. Myers and Co., Boston, Massachusetts, merchandise invoiced at \$857.50, terms $\frac{2}{10}, \frac{N}{30}$.

December 4 Returned to M. Myers and Co. \$157.50 of the merchandise we had purchased on December 3, because it was damaged. We received a credit memorandum from them.

BOOKKEEPING II — *continued*

- December 9 Received a check amounting to \$313.60 from George Simmons in settlement of invoice of November 29 amounting to \$320 less a cash discount of 2%.
- December 10 Received a 60-day noninterest-bearing note amounting to \$1,800 from our customer, the Art and Babs Stores, Inc., in settlement of their account.
- December 12 Sent a check to M. Myers and Co. in payment of invoice of December 3, less the return made on December 4 and less the 2% discount.
- December 13 Drew a check for \$1,016 to cover the following payroll taxes for the month of November :
- | | |
|--|-------|
| Withholding taxes | \$770 |
| F.I.C.A. taxes deducted from employees' salaries | \$123 |
| Employer's contributions toward F.I.C.A. tax | \$123 |
- We received a federal depository receipt for \$1,016.
- December 14 Issued the firm's check for \$450 in payment of real estate taxes on the home of George Barton, one of the partners.
- December 16 Bought from the Starr Manufacturing Co., Bayside, New York, merchandise invoiced at \$1,653, terms $\frac{1}{10}$, $\frac{N}{30}$. The Starr Manufacturing Co. notified us that they had prepaid the freight amounting to \$47 and charged it to our account.
- December 20 We discounted the \$1,800 note received from the Art and Babs Stores, Inc., on December 10 and received credit for the net proceeds amounting to \$1,785.
- December 24 Sent a check to the Starr Manufacturing Co. in payment of invoice of December 16 less the 1% discount and plus the freight they had prepaid.
- December 27 Max Astor, one of the partners, made an additional, permanent investment of his station wagon, valued at \$2,400. This station wagon is to be used as a delivery truck by the firm.
- December 31 According to the monthly bank statement, \$9.75 was deducted from our account as a bank service charge.

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 *Purchase Journal* and the *Cash Payments Journal*. 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, 1957? [2]

BOOKKEEPING II — *continued*

- 2 From the following trial balance and additional information, prepare the profit and loss statement. The profit and loss statement for the preceding period is given on the next page. You may use this as a guide in preparing the current profit and loss statement. [Distribution section *not* required.] [15]

CORNELL & WELLS
Trial Balance
December 31, 1957

Cash	\$ 5,700	.....
Notes Receivable	2,900	.....
Accounts Receivable	49,000	.....
Reserve for Bad Debts		\$ 430
Merchandise Inventory Jan. 1, 1957	70,500	.....
Office Equipment	2,600	.....
Reserve for Depreciation of Office Equipment		200
Accounts Payable		36,000
Notes Payable		11,200
Withholding Taxes Payable		1,100
F.I.C.A. Taxes Payable		40
Judson Wells, Capital		42,000
Alan Cornell, Capital		21,000
Judson Wells, Personal	4,800	.....
Alan Cornell, Personal	3,620	.....
Sales Income		405,200
Sales Returns & Allowances	5,350	.....
Merchandise Purchases	315,000	.....
Purchase Returns & Allowances		3,100
Freight In	10,720	.....
Office Supplies	1,450	.....
Rent	4,730	.....
F.I.C.A. Taxes	440	.....
Salesmen's Commissions	26,400	.....
Office Salaries	6,320	.....
Shipping Supplies	4,810	.....
Insurance	1,150	.....
Advertising	3,010	.....
Sales Discount	7,370	.....
Purchase Discount		6,250
Interest Cost	650	.....
	<u>\$526,520</u>	<u>\$526,520</u>

Additional Information, December 31, 1957

Merchandise Inventory, December 31, 1957	\$81,000
Shipping Supplies Inventory	110
Salesmen's Commissions Payable	1,700
Prepaid Rent	400
F.I.C.A. Taxes Payable (employer's obligation)	40
Depreciation of Office Equipment 10% of cost	
Additional Allowance for Bad Debts	550

BOOKKEEPING II — *continued*

CORNELL & WELLS
 Statement of Profit and Loss
 For the Year Ending December 31, 1956

Merchandise Sales

Gross Sales		\$342,650
Less: Sales Returns & Allowances.....	\$ 4,600	
Sales Discount	6,350	10,950
Net Sales		<u>\$331,700</u>

Cost of Goods Sold

Merchandise Inventory Jan. 1, 1956.....		61,150
Merchandise Purchases	273,000	
Add: Freight In	9,250	
Total Purchases	282,250	
Less: Purchases Returns & Allowances.....	\$2,650	
Purchases Discount	5,250	7,900
Net Purchases		<u>274,350</u>
Total Cost of Goods for Sale.....		335,500
Less: Merchandise Inventory Dec. 31, 1956.....		70,500
Cost of Goods Sold.....		<u>265,000</u>
Gross Profit		<u>66,700</u>

Operating Expense

Office Supplies		1,200
Rent		3,500
F.I.C.A. Taxes		400
Salesmen's Commissions		22,850
Office Salaries		5,900
Shipping Supplies		4,200
Insurance		950
Advertising		2,600
Interest Cost		575
Depreciation of Office Equipment		250
Bad Debts		575
Total Operating Expense.....		<u>43,000</u>

Net Profit		<u><u>\$ 23,700</u></u>
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Part II

Answer either question 3 or question 4.

3 The following account appears on the books of Harvey Stone on November 30, 1957:

ACCOUNTS PAYABLE

1957				1957					
Nov.	30	CP	14	10,500.00	Nov.	1	Balance	v	9,000.00
	30	GJ	7	800.00		30		P 23	18,500.00

- a In which ledger will this account be found? [1]
- b What name is given to this type of account? [1]
- c What is the balance of this account on November 30? [2]
- d What is the purpose of this account? [3]
- e What does the credit of \$18,500 represent? [2]
- f What does the debit of \$10,500 represent? [2]
- g State *one* type of transaction that could have given rise to the debit of \$800. [2]
- h An invoice for a shipment of goods amounting to \$500 from the Atlas Company was entered correctly in the purchase journal. However, the bookkeeper, in error, posted the entry to the account of George Arnold, a creditor. Explain how this error would or would not affect the correctness of the Accounts Payable account. [2]

4 Answer all parts of this question :

- a During the past year, Mr. Brown's investment in his business amounted to \$40,000. If he made a profit of \$7,200 during the year, what was the rate of return on his investment? [2]
- b The totals of the columns in the payroll record for the week ending December 20, 1957, are as follows :

Total wages	\$362.20
F.I.C.A. tax	8.15
New York State Disability Insurance...	1.54
Withholding tax	37.80
Net amount paid.....	314.71

- Indicate in two-column journal form the accounts and amounts to be debited and credited. [No explanation is required.] [5]
 - c In problem b above, what is the total amount of cash that should be drawn from the bank to meet the payroll? [1]
 - d Given the following facts, determine the net profit for the year: [3]
- | | |
|--|----------|
| Capital at the beginning of the year..... | \$35,000 |
| Capital at the end of the year..... | 40,000 |
| Withdrawals by the proprietor for his personal use.. | 7,500 |
- e On December 31, 1957, the bank statement showed an end-of-the-month balance of \$829.14, whereas the checkbook balance amounted to \$637.18. A reconciliation revealed (1) that the bookkeeper had failed to write the stub for a check amounting to \$36.15 and (2) that the outstanding checks totaled \$228.11. What was the amount of the correct available checkbook or bank balance on December 31? [4]

Part III

Answer either question 5 or question 6.

- 5 State a good business procedure to follow in *each* of the following situations:
- a We had one of our own checks certified and now do not wish to use the check. [2]
 - b A creditor has returned our check because we deducted a cash discount, in error, after the discount period had expired. [2]
 - c We made a sale, receiving a traveler's check in payment. What should we do with the traveler's check? [2]
 - d We have lost a customer's check received this morning in payment of an invoice. [2]
 - e During each month, we find it necessary to make several small payments for such expenses as carfare, postage, etc. [2]
- 6 On the line at the right of *each* statement, write the word or expression that best completes the statement. [One credit for each correct answer.] [10]
- a One of the legal characteristics of a general partnership is ... liability. a.....
 - b A C.O.D. shipment by freight is made with a (an) ... attached to the bill of lading. b.....
 - c An invoice dated December 18 containing the terms net 10, E.O.M., should be paid by c.....
 - d The ratio obtained by dividing current assets by current liabilities is called d.....
 - e Unpaid salaries should be classified on the balance sheet as a (an) ... liability. e.....
 - f The business paper from which the information for the entries in the sales journal is obtained is the f.....
 - g When a customer returns damaged goods that we had sold him on credit, we should send him a (an) g.....
 - h An endorsement on a check, "Pay to the order of Richard Warren (signed) George Jenkins", is a (an) ... endorsement. h.....
 - i A bank draft received from a customer is recorded in the ... journal. i.....
 - j If an employee earns \$80 a week, the weekly deduction for the F.I.C.A. tax should amount to j.....